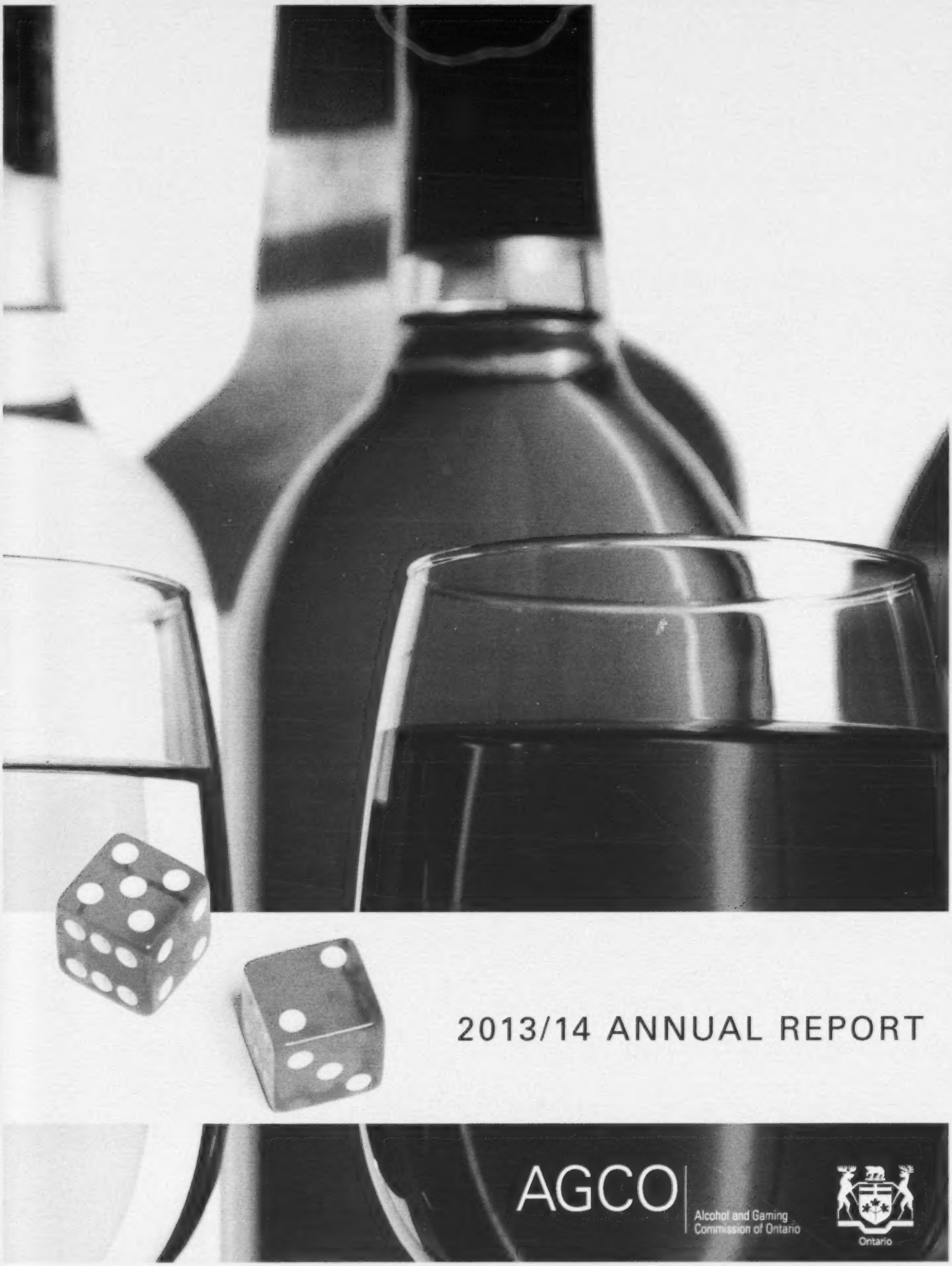

# 2013/14 ANNUAL REPORT

AGCO | Alcohol and Gaming Commission of Ontario

Ontario

AGCO | Alcohol and Gaming Commission of Ontario

**Alcohol and Gaming Commission of Ontario**
90 Sheppard Avenue East
Suite 200
Toronto, ON M2N 0A4

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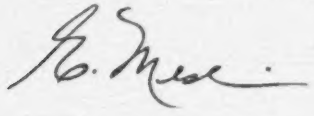
Ontario

**Alcohol and Gaming Commission of Ontario**
2013/2014 Annual Report

Memorandum to: The Honourable Madeleine Meilleur
Attorney General
Ministry of the Attorney General

From: Eleanor Meslin
Chair
Alcohol and Gaming Commission of Ontario

I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2013 to March 31, 2014.



Eleanor Meslin,
Chair

# Vision

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

# Mandate

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

# Mission

Committed to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures;
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries;
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement;
- Be customer-focused in the way we respond to and manage customer and stakeholder needs; and
- Educate customers and stakeholders, and develop partnerships.

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**ELEANOR MESLIN**
Chair

Building on the AGCO's significant successes of the previous year, I am pleased to report that our organization continues to deliver programs and services which are directed toward our Transformation Agenda of strengthening our position as a top regulator and top employer. As corporate governors, the Board is engaged in the strategic and corporate planning process, and we are pleased to see the strides the AGCO and its leaders have made on these important initiatives.

Of particular significance, the AGCO has made substantial progress over the last year in advancing its vision and long-term direction by establishing a Strategic Plan that focuses on five clear Strategic Goals that will help the AGCO navigate challenges and opportunities in the coming years.

These goals are aligned with and support key Government and Ministry priorities and objectives for enhanced accountability, efficiency and value for money in the delivery of public services, evidence-based decision-making and policy development, and minimizing the administrative burden on those regulated by the AGCO. In addition, our Strategic Goals remain aligned with those of the Ministry of the Attorney General: to modernize and streamline processes and support technology while maintaining core Ministry functions; develop and retain a skilled and engaged workforce and; promote accountability and value for money.

The Strategic Plan is the first component of the AGCO's enhanced and integrated approach to business planning to ensure policies, programs and activities are coordinated and aligned with the AGCO's strategic direction. A performance measurement framework also continued to be implemented, which gauges the AGCO's progress towards meeting its Strategic Goals.

The AGCO's enhanced planning framework will support and leverage ongoing modernization initiatives across the agency, including the continued transition to risk-based, outcomes-based and compliance-focused regulation, streamlining operations through integrated service delivery and building the foundation to be recognized as a top public sector employer.

Sir Winston Churchill, the former British Prime Minister, once said: "Without tradition, art is a flock of sheep without a shepherd. Without innovation, it is a corpse." I am heartened by his words when I think about the dedicated staff at the AGCO who, while mindful of where we have come from, work diligently and creatively to advance the AGCO's Strategic Plan and our shared vision of being both a top regulator and a top employer. Our ability to meet new challenges and embrace new opportunities lies with them, and through their hard work I am confident the AGCO will continue to excel in providing fair and responsive services, while regulating the alcohol and gaming sectors with the principles of honesty and integrity, and in the public interest.

**Eleanor Meslin,**
Chair

"It is not the strongest of the species that survives, nor the most intelligent. It is the one that is most adaptable to change."
– Charles Darwin

**JEAN MAJOR**
Chief Executive Officer

Since its inception in 1998, the AGCO's mandate has continually evolved in support of the general overall growth of the liquor and gaming sectors in Ontario, requiring the AGCO to adapt to ensure that all sectors for which it is responsible are effectively and efficiently regulated. This year has been no exception with the AGCO taking further steps to support the Ontario Lottery and Gaming Corporation's (OLG) Modernization, Internet Gaming (iGaming) and Charitable Gaming (cGaming) initiatives and being tasked with administering the government's new VQA Wine at Farmers' Markets pilot program.

These initiatives, as well as numerous other corporate activities, support the AGCO Strategic Plan's five strategic goals of Modern Regulator, Value for Money, Strategic Engagement, Quality Service Experience, and Rewarding Workplace. I am proud to say that significant achievements have been made by the AGCO this year in both the gaming and liquor sectors to further these goals. For instance:

On the gaming side, the AGCO:

- Issued the Registrar's Standards for Gaming in April 2013, a key milestone towards the full implementation of a Standards-Based regulatory approach within the gaming sector;
- Developed a regulatory assurance structure to support expanded electronic gaming offerings at cGaming sites conducted and managed by OLG; and
- Entered into new Memoranda of Understanding with regulators in Ohio and Massachusetts.

On the liquor side, the AGCO:

- Launched an engagement-driven approach to AGCO's ongoing review of policies and procedures affecting the liquor manufacturing, manufacturer representative, ferment-on-premise and liquor delivery service sectors, with a view to reducing regulatory burdens and increasing economic opportunities while strengthening public safety and social responsibility;
- Expanded the Best Bar None and Last Drink programs, to promote safe and responsible service of alcohol and help reduce impaired driving; and
- Launched the Open Ontario Compliance Pilot Initiative, a coordinated approach with provincial and municipal organizations to enhance public safety in new, efficient and effective ways.

Corporately, the AGCO:

- Initiated an agency-wide review of information technology systems with the aim of improving delivery of AGCO's programs and services; and
- Improved employee engagement initiatives by continuing Workplace Transformation activities including conducting a Workplace Engagement Survey, and development of a Diversity and Inclusion Plan focused on the four key elements of People, Processes, Services and Results.

In accordance with the direction of the AGCO's new planning framework that includes the Strategic Plan and the Corporate Plan, the AGCO ensures that the necessary tools are in place to allow us to adapt to our changing environment and to ensure that the liquor and gaming sectors continue to be regulated in accordance with the principles of honesty and integrity, and in the public interest.

I would like to thank our employees, partners and stakeholders for another productive and rewarding year and I look forward to continuing our important work in 2014/15.

**Jean Major,**
Chief Executive Officer

## Overview & Key Activities


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# Overview & Key Activities

## OVERVIEW

The AGCO is responsible for administering and enforcing the rules set by the Ontario government in order to regulate the following activities:

- The sale and service of beverage alcohol;
- Lotteries operated by the Ontario Lottery and Gaming Corporation (OLG) on behalf of the government of Ontario;
- Gaming conducted and managed by the OLG including casinos, slot machine facilities and internet gaming;
- Charitable bingo halls conducted and managed by OLG; and
- Lottery schemes conducted by charitable, not for-profit and religious organizations.

The AGCO's main objectives in regulating the sale and service of beverage alcohol are to:

- Ensure that alcohol is sold and served responsibly and in the broader public interest;
- Ensure that residents are provided an opportunity to have their interests considered during the licensing process;
- Permit Ontarians and visitors to the province the opportunity to enjoy alcohol within an economically viable hospitality and tourism sector;
- Promote fairness, equity and a level playing field for the industry through a consistent compliance approach to the regulations; and
- Conduct its compliance activities in alignment with the law and the maintenance of public safety.

The AGCO's main objectives in regulating gaming activities in the province are to:

- Ensure that gaming is operated with honesty and integrity, and in the broader public interest;
- Facilitate a competitive and flexible operational environment for Ontario's gaming facilities while maintaining the highest standards of operation and regulation;
- Ensure that all games are, in fact and appearance, fair;
- Maintain public confidence in the integrity of the games;
- Establish a safe and secure environment at all gaming facilities; and
- Protect the assets of the Crown.

The principles which guide the AGCO's activities are prescribed in the AGCO's governing legislation and require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility. In fulfilling its regulatory mandate, the AGCO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of its stakeholders to ensure its regulatory activities support the economic viability of the alcohol and gaming industries, while maintaining public safety and confidence in these industries.

**Vision**
A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

**Mandate**
To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

**Mission**
Committed to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures;
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries;
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement;
- Be customer-focused in the way we respond to and manage customer and stakeholder needs; and
- Educate customers and stakeholders, and develop partnerships.

## KEY ACTIVITIES

The AGCO is responsible for the administration of the following:

- *Liquor Licence Act* (LLA);
- *Wine Content and Labelling Act, 2000*;
- *Liquor Control Act* [Section 3(1)b, e, f, g and 3(2)a];
- *Gaming Control Act, 1992* (GCA);
- Lottery Licensing Order-in-Council, 1413/08 (as amended); and
- Part I of the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA).

The administration of these Acts and the Order-in-Council involves the following core activities:

**Regulating the Alcohol and Gaming Sectors**

- Licensing and regulating establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their representatives, representatives of foreign manufacturers, and ferment-on-premise facilities in Ontario;
- Administering the Special Occasion Permit (SOP) program which is delivered through designated Liquor Control Board of Ontario (LCBO) retail stores;
- Authorizing manufacturers' retail stores, which includes on-site and off-site winery retail stores, on-site distillery retail stores, on-site brewery retail stores and Brewers Retail Inc. (The Beer Store) stores;
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, slot machine facilities and internet gaming (iGaming);
- Registering suppliers and retailers of OLG lottery products;
- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charitable lottery licences (e.g. bingo, raffle and break open ticket events);
- Licensing games of chance at fairs and exhibitions;
- Approving rules of play or changes to rules of play for games conducted and managed by OLG; and
- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the GCA and its regulation.

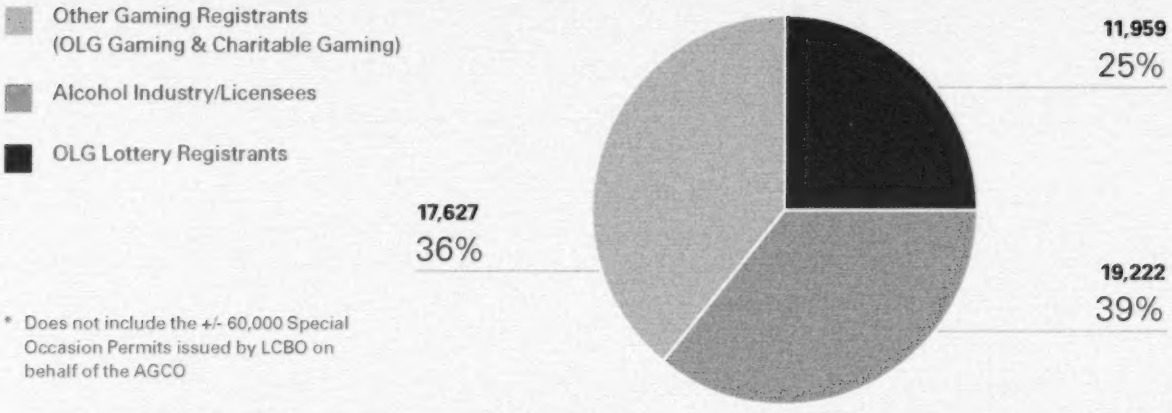
**Investigating, Inspecting and Monitoring**

- Inspecting and monitoring liquor sales licensed establishments to ensure compliance with the LLA and its regulations;
- Inspecting/monitoring casinos, slot machine facilities, charitable gaming events/facilities and retail locations where OLG lottery products are sold for compliance with the GCA and its regulation and licensing and registration requirements;
- Conducting eligibility assessments on individuals and companies seeking registration and licensing under the GCA and LLA;
- Providing police presence at casinos and slot machine facilities;
- Developing and implementing the Registrar's Standards for gaming in relation to the conduct, management and operation of gaming sites, lottery schemes or related businesses and services;
- Conducting audits of companies registered and licensed under the GCA and LLA;
- Monitoring internal control, surveillance and security systems, and other operational systems for casinos and slot machine facilities for compliance with regulatory requirements;
- Testing, approving and monitoring gaming equipment such as slot machines, gaming management systems and iGaming platforms; and
- Investigating insider wins involving lottery retailers/systems managers or lottery equipment suppliers.

**Adjudication**

- Arbitrating disputes between two or more claimants for a lottery ticket prize.

**FIGURE 1** – AGCO LICENSEES AND REGISTRANTS




* Does not include the +/- 60,000 Special Occasion Permits issued by LCBO on behalf of the AGCO

**Social Responsibility: Evolving Social Attitudes**

With a focus on becoming a Modern Regulator, the AGCO continues to refine its role in the promotion of social responsibility in both the alcohol and gaming sectors to reflect both the maturity of the industries and evolving societal views. Greater public confidence in gaming has led to an increased emphasis on responsible gambling, while changing views regarding the liquor industry increasingly focus on responsible use and enjoyment. A key component of the AGCO's regulatory modernization is a newly enhanced role in the area of responsible gambling, established through the Registrar's Standards for Gaming that include provisions related to advertising and marketing, informed choice, player support, voluntary self-exclusion and game design.

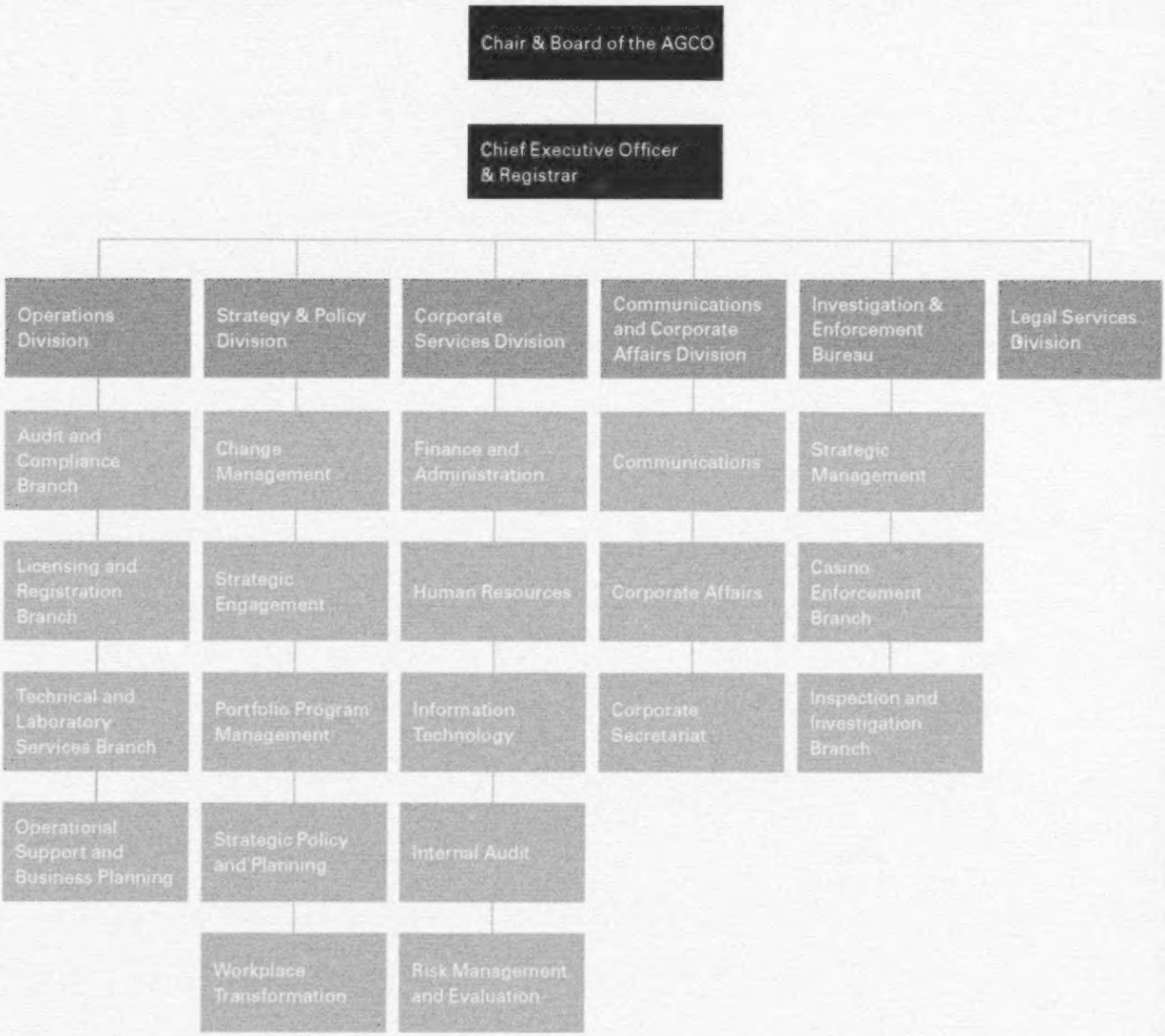
In addition, the AGCO is advancing its Strategic Plan commitment to Strategic Engagement by proactively working with multiple governmental, industry and public interest partners to enhance its contribution to social responsibility. For example, the AGCO, in collaboration with the OLG, has established an ongoing Responsible Gambling Policy Roundtable that includes the Responsible Gambling Council, the Centre for Addiction and Mental Health and the Ontario Problem Gambling Research Centre. The Roundtable serves as a platform to discuss and evaluate the Registrar's Standards related to responsible gambling and provide a forum to discuss areas of shared interest and recent advancements in responsible gambling. The AGCO has also been leading an extensive engagement with industry stakeholders, including public health and social responsibility organizations, related to the latest round of regulatory reforms aimed at the beverage alcohol industry. The AGCO's Liquor Modernization Project has involved strong stakeholder involvement to date, including nine industry roundtable sessions with one session fully dedicated to public health and social responsibility groups.

## CORPORATE ORGANIZATION

**Organizational Structure**

The AGCO's organizational structure is based on functional responsibilities and consists of six Divisions, each of which is led by a member of the Executive Committee reporting directly to the Chief Executive Officer.

**FIGURE 2** – ORGANIZATIONAL STRUCTURE OF THE AGCO



## BOARD OF DIRECTORS

*The Alcohol and Gaming Regulation and Public Protection Act*, 1996 (AGRPPA) constitutes the AGCO as a corporation without share capital and requires that the AGCO have a Board of Directors of at least five members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate. This involves working with the Chief Executive Officer and Senior Management on Regulatory, Governance and Corporate Governance activities.

The list below reflects the members of the Board as at March 31, 2014, including their original appointment dates.

ELEANOR MESLIN
Chair (Part-time)

**First Appointed**: November 2000
**Appointed Interim Chair**: February 2011
**Appointed Chair**: February 2013
**Term Expires**: February 2016

KIRSTI HUNT
Vice-Chair (Part-time)

**First Appointed**: April 1997
**Term Expires**: April 2014

S. GRACE KERR
Vice-Chair (Part-time)

**Appointed Interim Vice-Chair**: June 2013
**Appointed Vice-Chair**: December 2013
**Term Expires**: July 2015

BRIAN FORD
Member (Part-time)

**First Appointed**: September 2004
**Term Expires**: September 2014

BERYL FORD
Member (Part-time)

**First Appointed**: September 2004
**Term Expires**: September 2014

BRUCE MILLER
Member (Part-time)

**First Appointed**: December 2008
**Term Expires**: December 2014

**Hearings, Appeals, Dispute Resolution and Settlements**

On March 7, 2011, the Ontario Legislature passed the *Good Government Act, 2011*, one of the provisions of which transferred responsibility for the adjudication of liquor and gaming matters under the LLA, GCA, *Wine Content and Labelling Act, 2000*, and the *Vintners Quality Alliance Act, 1999* from the Board of the AGCO to the Licence Appeal Tribunal (LAT), effective July 1, 2011. This change was made to increase efficiencies, focus the AGCO on its primary role of regulating the alcohol and gaming sectors, and allow the Board to concentrate on internal corporate governance and policy oversight.

The Licence Appeal Tribunal (LAT) conducts hearings related to:

- Proposed actions by the Registrar under the LLA and GCA;
- Registrar's refusal to licence or register under the LLA and GCA;
- Compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*;
- Public interest to determine eligibility for liquor licensed premises, additions to liquor licensed premises or revocation of liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof; and
- Conducting appeals of orders of monetary penalties imposed by the Registrar.

The following settlements were reached without a hearing before the Licence Appeal Tribunal:

**TABLE 1** – ALCOHOL - RELATED SETTLEMENTS WITHOUT A HEARING*

| | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Number of Settlements agreed to without a hearing (Notice of Proposed Orders and Orders of Monetary Penalty) | 253 | 293 |

* These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar.

**TABLE 2** – ALCOHOL - RELATED PUBLIC MEETING CONFERENCE CALLS**

| | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Number of Public Meeting Conference Calls | 28 | 29 |

**This is an alternative dispute resolution process.

**TABLE 3** – GAMING - RELATED SETTLEMENTS WITHOUT A HEARING***

| | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Number of Settlements agreed to without a hearing (Notice of Proposed Orders and Orders of Monetary Penalty) | 7 | 23 |

*** These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar.

## STRATEGIC DIRECTION

The AGCO regulates within a complex and dynamic social, economic and political context. In fulfilling its mandate, the AGCO strives to protect the public interest by achieving a fair and appropriate balance among competing interests and perspectives to help ensure that its regulatory activities support the economic viability of the alcohol and gaming industries, while maintaining public safety and confidence in these industries.

To continue to effectively regulate and operate as the environment becomes increasingly complex, the AGCO has developed a Strategic Plan that will help it navigate challenges and opportunities in the coming years. The Strategic Plan identifies the following five clear Strategic Goals:

1. Modern Regulator
2. Value for Money
3. Strategic Engagement
4. Quality Service Experience
5. Rewarding Workplace

The Strategic Goals are aligned with and support achievement of key government objectives for enhanced accountability, efficiency and value for money in the delivery of public services, evidence-based decision-making and policy development, and minimizing the administrative burden on those regulated by the AGCO.

The AGCO's Strategic Plan builds on significant work completed by the AGCO over the past several years to define and articulate its strategic vision and ensure its policies, programs and activities are aligned with it. The AGCO's enhanced planning framework will support and leverage ongoing modernization initiatives across the agency, including the continued transition to risk-based, outcomes-based and compliance-focused regulation, streamlining operations through integrated service delivery and building the foundation to be recognized as a top public sector employer.

With this vision in mind, the following five Strategic Goals will guide the AGCO's planning and decision-making over the next several years:

**1. Modern Regulator:**
The AGCO strives to be modern in its regulatory approach, demonstrating leadership, innovation and effectiveness in the regulation of the alcohol and gaming sectors. In order to achieve this vision, the AGCO is continuing its ongoing transition towards risk-based (i.e. focusing resources on highest risk areas), outcomes-based (i.e. focusing on outcomes versus prescriptive rules), and compliance-focused regulation. Building on its experience with foundational programs such as Risk-Based Licensing and Registration, and Risk-Based Enforcement, and consistent with its strategy of integration and convergence, the AGCO will develop a framework to guide the consistent use of risk-based methodologies and approaches across all of the AGCO's lines of business.

Under the Standards-Based Approach, a key Modern Regulator initiative, the regulatory focus shifts from requiring gaming registrants to comply with a prescriptive set of rules and regulations – a "command and control" regulatory approach – to providing standards that must be achieved. This is a fundamental change that delivers a modernized approach to gaming regulation and allows the AGCO to focus its resources on key risks and maintaining game integrity, while providing a degree of business flexibility and efficiencies for the industry.

The AGCO continues to plan and coordinate the key activities needed to continue the successful implementation of the Registrar's Standards for Gaming across various gaming sectors, including overseeing the development of the AGCO's regulatory assurance activities and monitoring the establishment of the operators' control environments. The Registrar's Standards for Gaming themselves were issued in April 2013, a major milestone for this innovative regulatory initiative.

In recent years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry. To complement these reforms, the AGCO has launched a project that is aimed at modernizing AGCO policies and procedures relating to the wine, beer, and spirits manufacturing industry, liquor delivery services, manufacturers' representatives, and ferment-on-premise operators. Specifically, the AGCO is looking to find ways to support the public interest by reducing the administrative burden for businesses in the beverage alcohol sector and promoting responsible economic development for Ontario's liquor manufacturing and distribution sectors, while continuing to uphold the highest standards of public safety.

**2. Value for Money:**
The AGCO is committed to remaining efficient and effective in its operations, supported by strong governance and accountability structures. To support the agency's commitment to Value for Money and enhanced accountability, the AGCO is currently implementing the second phase of a uniform and integrated process to identify, analyze, evaluate, treat, and monitor key risks across the AGCO. Enhanced accountability and governance is achieved across the organization through risk identification, mitigation and monitoring. The Enterprise Risk Management Strategy and methodologies form a foundation to guide management decision-making processes. This ensures that the AGCO understands its business and operational risks and manages them to an acceptable level of exposure given its priorities and objectives.

The AGCO also employs a risk-based approach to its licensing, registration and enforcement activities. By identifying which applicants, licensees and registrants pose an enhanced risk of non-compliance, the AGCO is better able to target its resources on the identified high-risk areas allowing for improved efficiency and effectiveness in the delivery of its services. Other initiatives that enhance governance and accountability include Board training and an accountability framework that outlines oversight responsibilities for various areas of the AGCO.

**3. Strategic Engagement:**
The Office of Strategic Engagement has been established to lead the development and implementation of an engagement-centered approach to support the achievement of AGCO's Strategic Goal to develop strategic partnerships and alliances to improve regulatory outcomes and strengthen its effectiveness as a regulator.

To further this Strategic Goal, the AGCO is exploring formal partnerships with other regulators, monitoring and assessing domestic and international trends in the alcohol and gaming sectors, and coordinating strategic outreach to key partners and stakeholders. For example, comprehensive consultations with the liquor industry were planned and held in relation to the next phase of reform in that sector (see Liquor Regulatory Framework Reform, page 34).

The past year also saw the expansion of the Best Bar None Ontario pilot (see Best Bar None Continues to Expand, page 47) and the launch of the Open Ontario Compliance Initiative Pilot in the London area, a collaborative and coordinated initiative among provincial and municipal organizations to deliver risk-based compliance activities to protect the public in the most efficient and effective way possible (see Open Ontario Compliance Initiative, page 46).

The AGCO remains committed to building and enhancing its partnerships with law enforcement agencies across Ontario and beyond in order to maximize its effectiveness as a regulator. Whether through regular contact between members of the AGCO's Investigation and Enforcement Bureau and local Ontario police services, specialized educational seminars and materials on liquor enforcement for front-line police officers, information sharing on liquor and gaming investigations or carrying out joint forces operations, the AGCO values its relationships with law enforcement agencies as an important means of achieving more effective and efficient results in the sectors we regulate.

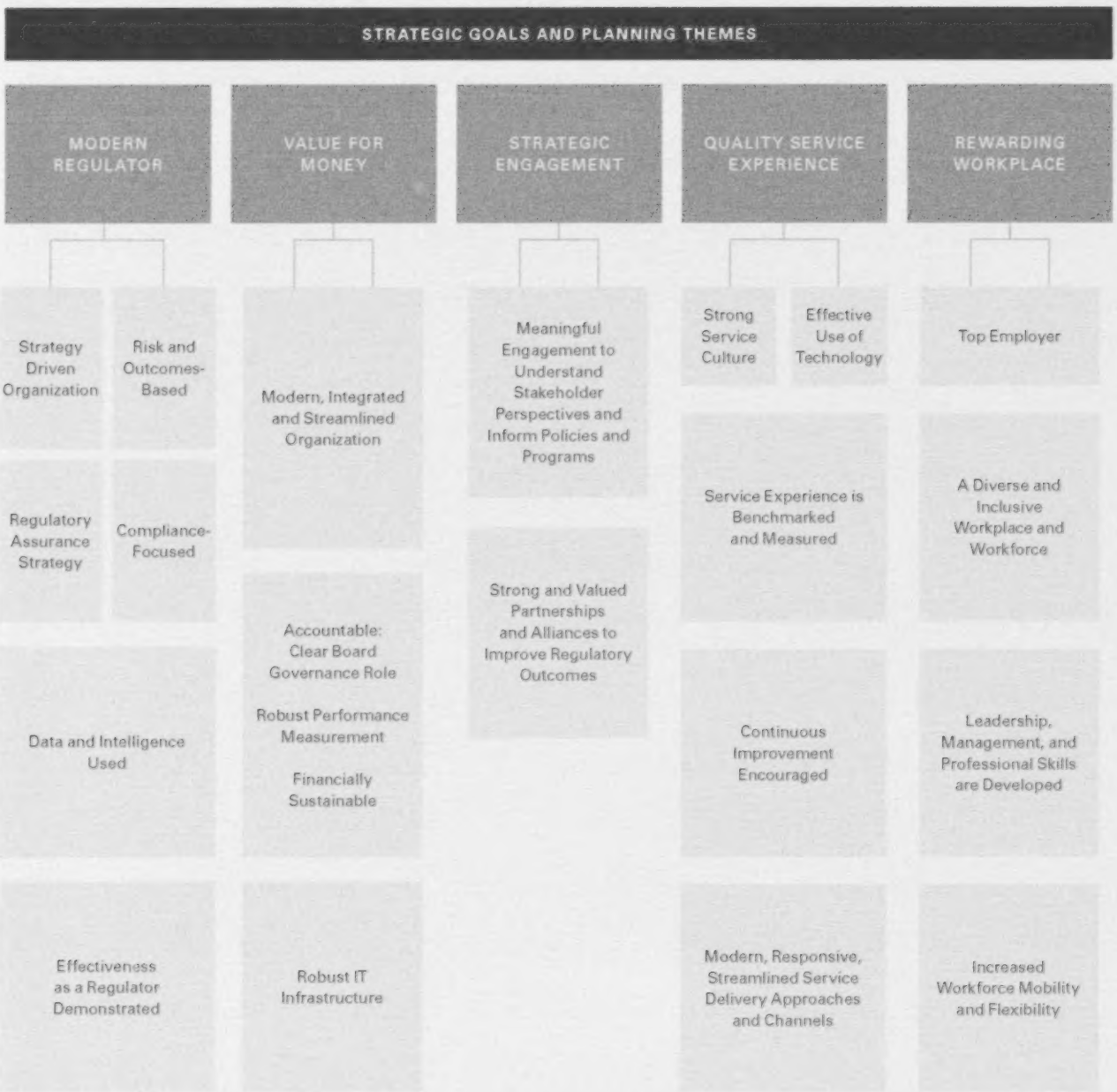
In addition, the AGCO continues to make efforts to collaborate and, in some cases, work jointly with regulatory agencies in other provinces and foreign jurisdictions in order to conduct investigative work, establish and enforce common standards, and develop regulatory responses to new gaming products and emerging risks. Inter-jurisdictional collaboration among gaming regulators is facilitated – as both a statutory requirement and an operational best practice – through the negotiation of bilateral Memoranda of Understanding between regulatory and law enforcement agencies. The AGCO currently has MOUs in place with 29 regulatory and law enforcement agencies around the world.

**4. Quality Service Experience:**
The AGCO is committed to creating a strong service culture that permeates every aspect of the agency's operations. The AGCO will continue to ensure that all interactions with, and within, the AGCO result in a Quality Service Experience that is benchmarked and measured against service standards and that services are delivered in a manner that is fair, inclusive and responsive to the needs of a diverse population.

The AGCO's Regulatory Assurance Solution (RAS) initiative is a central component of AGCO's Strategic Plan commitment to offer modern and streamlined service delivery while also supporting broader government priorities of efficiency and accountability. RAS will replace the information technology systems which currently support the AGCO's regulatory assurance activities while integrating and streamlining AGCO business processes to align with the new information technology solution.

**5. Rewarding Workplace:**
Transforming into a Top Employer is a key component of AGCO's Strategic Goal to create a Rewarding Workplace. A Rewarding Workplace is one that supports an environment of high performing and empowered staff and where people are valued and supported through effective talent management. One of the Workplace Transformation's long-term objectives is for the AGCO to be recognized as a Top Employer by evolving the corporate culture over time so that it becomes second nature for all leaders and employees to consider and incorporate the fundamental principles imbedded in a Top Employer organization.

**FIGURE 3** – AGCO STRATEGIC GOALS AND PLANNING THEMES


STRATEGIC GOALS AND PLANNING THEMES
STRATEGIC GOALS
PLANNING THEMES
MODERN REGULATOR
VALUE FOR MONEY
STRATEGIC ENGAGEMENT
QUALITY SERVICE EXPERIENCE
REWARDING WORKPLACE
Strategy Driven Organization
Risk and Outcomes-Based
Regulatory Assurance Strategy
Compliance-Focused
Data and Intelligence Used
Effectiveness as a Regulator Demonstrated
Modern, Integrated and Streamlined Organization
Accountable: Clear Board Governance Role
Robust Performance Measurement
Financially Sustainable
Robust IT Infrastructure
Meaningful Engagement to Understand Stakeholder Perspectives and Inform Policies and Programs
Strong and Valued Partnerships and Alliances to Improve Regulatory Outcomes
Strong Service Culture
Effective Use of Technology
Service Experience is Benchmarked and Measured
Continuous Improvement Encouraged
Modern, Responsive, Streamlined Service Delivery Approaches and Channels
Top Employer
A Diverse and Inclusive Workplace and Workforce
Leadership, Management, and Professional Skills are Developed
Increased Workforce Mobility and Flexibility

## GOVERNMENT INITIATIVES AND PRIORITIES

Part of the AGCO's overall strategic direction is to adapt to and coordinate with the government's public policy priorities and fiscal objectives. Over the past year, the AGCO continued to review its priorities for consistency with government direction as well as its operations to ensure cost-effective services continue to be provided. Examples of government initiatives which have had an impact on AGCO internal operations from strategic, structural and financial perspectives are described below.

**OLG Modernization**
In July 2010, the OLG was directed to conduct a strategic review of its operations, with a view to modernize charitable and commercial gaming. In its report delivered to the Minister of Finance on March 12, 2012, the OLG outlined its proposal to modernize lottery and gaming in Ontario which included three key priorities: becoming more customer-focused; securing qualified service providers for the day-to-day operation of lottery and gaming; and renewing OLG's role in the conduct, management and oversight of lottery and gaming.

As the OLG's plan has a significant impact on the AGCO, and particularly on AGCO operations, the AGCO and OLG continue to work together as implementation of the modernization strategy moves forward.

**Ontario's Wine and Grape Strategy**
As part of the Ontario Government's economic plan, the government recently announced the renewal of the province's Wine and Grape Strategy. The initiative will include, among other programs, a two-year pilot program to allow the sale of VQA wines at Ontario farmers' markets. As the body responsible for the administration of the pilot-program, the AGCO has been working with industry stakeholders and other government partners to prepare for the upcoming launch of the program and to ensure effective support for the wine industry while maintaining public safety (see VQA Wine Sales at Farmers' Markets, page 34).

**Open For Business**
This ongoing government-wide initiative is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to Ontario.

Internally, the AGCO continued to work on a number of projects which support the overall goals of this program by reducing administrative burdens and using a regulatory approach intended to support business. The Gaming Modernization initiative and the shift towards a standards-based framework in the gaming sector, for example, is intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness. The achievement of these goals is also enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies including the Ministry of the Attorney General, Ministry of Finance, OLG and the LCBO.

Among projects undertaken in 2013/14 to support the Open for Business strategy was the launch of the Open Ontario Compliance Initiative pilot. This six-month pilot initiative included a number of Ontario regulatory bodies and was intended to demonstrate how municipal and provincial organizations can achieve greater coordination and collaboration, how risk-based compliance activities can be used effectively, and how the inspection process might be made less onerous for businesses (see Open Ontario Compliance Initiative, page 46).

In August 2013, the AGCO also initiated a review of its approach to the regulation of wine, beer, and spirits manufacturers, manufacturers' representatives, ferment-on-premise operators, and liquor delivery services. While work on this initiative will continue into 2014/15, this review presents an opportunity to modernize the AGCO's regulatory approach in a way that supports new investment and innovation, maintains strong protection of the public interest, and responds to shifting economic and social realities as Ontario's beverage alcohol industry is in the midst of a period of significant expansion and diversification.

**Open Government**
In October 2013, the Ontario Government announced an Open Government initiative focused on three areas: Open Dialogue, Open Data, and Open Information, with an aim to increase openness, transparency and accountability. The overall intent is to open up more data and information and give the people of Ontario new and improved ways to engage in the decision-making process and the development of policy.

Over recent years, the AGCO has undertaken an ongoing review of its policies and practices to identify and remove barriers for businesses, increase transparency in its operations and enhance appropriate public participation in liquor licensing decisions. One result has been that the AGCO now posts Public Notices of liquor sales licence applications to its website, where previously they were placed in local newspapers. By making this change, the AGCO has taken a more modern approach by providing easier and faster access to information to better support local residents' input into liquor sales licensing decisions, while at the same time providing administrative relief and cost savings for businesses in the hospitality industry.

The AGCO will continue to review policies and practices to look for ways to improve openness, transparency and accountability.

**Public Sector Delivery Review**
On February 14, 2012, the Commission on the Reform of the Public Service, chaired by Don Drummond, former Associate Deputy Minister and chief economist to TD Bank, released its report recommending long-term, fundamental changes to the way government delivers services. As part of this initiative, the Commission was asked to look at programs that are no longer serving their intended purpose and could be eliminated or redesigned; areas of overlap and duplication that could be eliminated to save taxpayer dollars; and areas of value in the public sector that could provide a greater return on the investment made by taxpayers. This report follows an earlier announcement by government to reduce the number of agencies in the province by 5 percent and informed the development of the 2012/13 Budget which was presented on March 27, 2012.

## GOVERNMENT OVERSIGHT AND AGENCY ACCOUNTABILITY

Accountability and transparency in the agency sector has been a key government priority over the last several years, with the government taking steps to strengthen its oversight of arm's-length agencies. New and enhanced accountability mechanisms continue to be implemented, including new procurement directives, enhanced agency accountability directives and the disclosure of expenses incurred by Board members and senior executives.

As with other agencies, the AGCO is subject to review and audit by government to ensure funds are being spent wisely and taxpayers are receiving value for money. The AGCO has undergone several such audits and reviews over the past several years, including a value for money audit by the Auditor General on casino gaming regulation in 2010, and a follow-up audit in 2012, the results of which are included in the Auditor General's 2012 Annual Report. The Auditor General concluded, among other things, that the AGCO has put into place a regulatory framework that is comprehensive and that its regulatory oversight of the casino gaming industry is one of the strongest and most effective regimes in North America. At the same time, five recommendations were made touching on various areas. The Auditor found in his follow-up audit that the AGCO had taken action on several of the 2010 audit's recommendations, and that the AGCO's standards-based approach to the regulation of gaming continues to be implemented to address the remainder.

More recently, the government announced additional measures to improve government accountability. In its 2013 Budget, the government directed that agencies and other government organizations will be subject to regular reviews by their parent ministries to ensure results are achieved and value for money is attained. In addition, acting on the recommendations of the Burak report to further enhance the governance of its agencies, the government has indicated through the Minister of Finance's 2013 Economic Outlook report that it will introduce a risk-based approach to the oversight of agencies as it continues to strengthen and enhance this function.

## PERFORMANCE MEASURES

The 2013/14 year-end results for performance measures established for the AGCO were effectively on target.

**TABLE 4** – AGCO PERFORMANCE MEASURES 2013/14

| STRATEGIC GOAL SUPPORTED | PERFORMANCE MEASURE | TARGET | 2013 / 14 RESULTS |
|---|---|---|---|
| MODERN REGULATOR | Percentage of compliance matters resolved through the LOI process without a request for hearing | Ratio of compliance matters resolved through LOI process without request for hearing reaches 90% | 92% of compliance matters resolved without request for hearing |
| | Compliance rate of licensees following compliance-focused pilot initiatives | Rate of infractions declines relative to number of inspections | 36% decrease in total number of infractions following Best Bar None Pilot Initiative |
| | Number of high-risk infractions following transition to a compliance-based operating model | Average 30% decrease in infractions compared to benchmark data | 39% decrease following implementation of compliance-based operating model |
| VALUE FOR MONEY | Average gaming and liquor application turnaround time | Average turnaround time meets or is lower than AGCO Standard (30 days) | Actual (Liquor Applications): 25 days<br>Actual (Casino Gaming Applications): 11 days |
| | Average electronic gaming lab testing turnaround time | Average turnaround time meets or is better than average of comparable jurisdictions (46 days) | Actual: 45 days |
| STRATEGIC ENGAGEMENT | Number of Memoranda of Understanding (MOUs) with external law enforcement and regulatory agencies to advance AGCO's regulatory interests | Increase current number of MOUs by 4% | 11% increase in current number of MOUs |
| | Percentage of stakeholders indicating a high level of engagement following AGCO consultations using a Stakeholder Engagement Plan | Percentage of stakeholders reported feeling engaged/ highly engaged during stakeholder consultations averages 80% | 89% of respondents indicating engaged/highly engaged following Liquor Modernization Project consultations |
| QUALITY SERVICE EXPERIENCE | Percentage of gaming suppliers indicating very good/excellent level of service provided by AGCO testing and lab services | Increase percentage of gaming suppliers indicating very good/excellent level of service to 75% | 67% indicating very good/ excellent level of service |
| | Percentage of gaming operators indicating very good/excellent level of satisfaction with AGCO testing and lab services | Increase percentage of gaming operators indicating very good/excellent level of service to 75% | 100% indicating very good/ excellent level of service |
| REWARDING WORKPLACE | Retention rate of permanent, full-time AGCO employees | Increase employee retention rate to 95% | 95% of permanent, full-time AGCO staff were retained |
| | Participation rate of AGCO staff in employee engagement survey | Increase participation rate of AGCO staff in employee engagement survey to 80% | 75% of AGCO staff participated in the 'Have Your Say' Employee Engagement survey |
| | Percentage of employees indicating internal communications methods are clear and consistent through employee engagement survey | Increase percentage of employees responding positively compared to 2010 benchmark data | 15% increase in employees responding positively compared to 2010 benchmark data |

## INTERNAL OPERATIONS AND FISCAL ENVIRONMENT

The AGCO has continued to implement its long-term direction through its Strategic Plan, including the continued transition to risk-based, outcomes-based and compliance-focused regulation, and streamlining operations through integrated quality service delivery. The AGCO's Strategic Plan creates a focused vision that reflects the anticipated challenges and opportunities during a period of ever expanding responsibilities in both the liquor and gaming sectors.

Marketplace evolution within the liquor and gaming sectors, along with government initiatives and legal and regulatory reforms, have continued to expand the AGCO's regulatory authority. In 2008, the AGCO was tasked by government with the responsibility for the regulation of lottery products managed by the OLG, adding more than 12,000 new registrants to the AGCO's client base, and the AGCO's mandate has again expanded to include regulation of iGaming. More recently, AGCO has been tasked with administering a two-year pilot program initiated by government allowing the sale of VQA wine at farmers' markets beginning May 1, 2014.

To help manage the operational and financial pressures related to this expanded mandate and demonstrate the agency's commitment to 'Value For Money', the AGCO has been proactively implementing changes to improve efficiencies in its operations. Initiatives undertaken in recent years include the Enterprise Risk Management framework, numerous program audits to improve efficiencies, and the implementation of a long-term information technology strategy. As well, the AGCO's shift to risk-based regulatory approaches has allowed a better targeting of the agency's resources in terms of both effectiveness and efficiency.

Service expectations have also changed in recent years and will continue to evolve in the coming years and challenge the AGCO's capacity to respond in timely and effective ways. In response, the AGCO must guarantee a Quality Service Experience using delivery approaches and channels that are modern and sensitive to stakeholder needs and expectations by streamlining and making more effective use of technology. Investments in technology will be made through the Regulatory Assurance Solution (RAS) initiative, enabling electronic service delivery so that stakeholders can more easily provide information to and receive information from the AGCO.

Effectively addressing all of the challenges that lie ahead requires the AGCO to recruit individuals with the necessary technical and professional skills to ensure the effective regulation of new lines of business such as iGaming. To meet these challenges today and in the future, the AGCO is working to become an employer of choice and developing robust recruitment and succession strategies in order to attract and retain the high quality staff and expertise necessary to effectively carry out its mandate.

The AGCO's internal operating environment will continue to evolve in coming years owing to demographic shifts affecting the agency's workforce, new and streamlined service delivery methods and the ongoing implementation of the agency's Strategic Plan. In order to effectively address the challenges and opportunities that lie ahead, the AGCO continues to proactively monitor and anticipate changes in its operating environment.

## OPERATING BUDGET – 2013/14 FISCAL YEAR REVENUE AND EXPENDITURES

The AGCO is currently funded from a combination of allocations through the Results-Based Planning process and recoveries, primarily from the Consolidated Revenue Fund (CRF) and OLG. The AGCO also collects fee revenue from a variety of licensing and registration activities which is remitted to the CRF and helps to offset the allocation given to the agency. The AGCO operates within a separate budget allocation contained in the government's printed estimates.

In October 2010, Treasury Board approved an expenditure increase to the AGCO's budget in 2010/11 and 2011/12 to address AGCO's critical funding needs as identified by the activity-based costing report. As part of the approval for the expenditure increase, the Ministry of the Attorney General was directed to report back through the 2012/13 Results-Based Planning process on several areas, including opportunities for fee structure review options. Ultimately, the goal is to secure a sustainable budget that allows the agency to carry on its day-to-day operations and uphold the high standard of regulation that is expected by both the government and the people of Ontario, as well as to adequately implement its important modernization initiatives in both the liquor and gaming industries.

**TABLE 5** – 2013/14 FISCAL YEAR REVENUE AND EXPENDITURES

| REVENUE | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Fees and Levies | $27,693,089 | $26,598,397 |
| TOTAL | $27,693,089 | $26,598,397 |

| EXPENDITURES | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Salaries and Benefits * | $52,064,143 | $56,075,211 |
| Other Direct Operating Expenses ** | $10,206,728 | $14,573,549 |
| Total program expenditures | $62,270,871 | $70,648,760 |
| Less Recoveries *** | ($31,577,167) | ($42,643,870) |
| TOTAL | $30,693,704 | $28,004,890 |

* Since the AGCO's mandate expanded to include regulation of iGaming and other gaming modernization initiatives, additional employees were hired in 2013/14 to provide the appropriate support for this expansion.

** In 2013/14, two major renovation projects were conducted at 90 Sheppard Avenue East in order to accommodate additional staff. In addition, the costs for gaming eligibility assessments increased in 2013/14 as a result of developments related to iGaming and other gaming modernization initiatives.

*** Recoveries for 2013/14 included monies received from liquor licence application advertisements (this type of recovery was eliminated effective September 30, 2013, when the advertisements started to be posted to the AGCO website without charge to the applicant), gaming eligibility assessments (applicants billed directly or indirectly for costs; includes iGaming eligibility assessments), and for the registration and regulation of casinos and slot machine facilities, OLG lotteries, iGaming, and other gaming modernization initiatives (paid for by OLG).

## AGCO Corporate Activities and Programs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# Corporate Activities and Programs

## INFORMATION TECHNOLOGY

The Information Technology Branch supports the AGCO Strategic Goals by providing robust information and information technology that is secure, accessible and reliable. The current IT Strategic Plan focuses on improving our service management through the implementation of the ITIL® Framework and our commitment to innovation and governance.

Significant IT projects completed in 2013/14 include:

- Head Office Printer Refresh
- Enterprise Mobility Project (Phase 1)
- SharePoint Online Pilot
- Exchange Upgrade
- TeamCentral (Collaborative Solution) Implementation and Customization
- Network Infrastructure - Firewall and Wireless Project

## INFORMATION SECURITY OFFICE

The Information Security Office was established in 2013 to provide support throughout AGCO to safeguard the confidentiality, integrity and availability of AGCO's internal information and our stakeholders' information by developing information security policies, processes and procedures and identifying and managing Information Security Risks. In 2013, the office developed and implemented a plan to ensure that the data related to the iGaming initiative being contemplated for introduction into the Ontario gaming marketplace were secure.

## CORPORATE COMMUNICATIONS

The AGCO considers effective and timely communications, to our stakeholders, customers, the general public, and our employees, as crucial to fulfilling our mandate in the regulation of the alcohol and gaming sectors.

In this context, fiscal year 2013/14 included a comprehensive communications research initiative which identified best corporate practices, a division-by-division internal survey of current AGCO practices/needs and recommendations for future approaches and resources, all of which helped to inform development of a strategic communications planning process. By year-end, AGCO had filled the newly-created position of Director of Communications and initiated development of a comprehensive strategic communications plan. Communications plans and strategies, both internal and external, will be implemented to provide stakeholders and AGCO staff with information about the progress and operational impacts of ongoing projects. For example, the AGCO will use a variety of communications channels, such as its website, intranet site, Information Bulletins, Important Notices, stakeholder consultations, webcasts and others as appropriate, to provide two-way information flow to staff, stakeholders and the public about iGaming, the ongoing OLG Modernization initiative and regulatory modernization within the liquor industry.

**Issues Management**

An integral part of the AGCO's communications strategy and issues management process is to identify potentially contentious issues as early as possible and address them in a timely and proactive manner. This allows the agency to respond to and provide accurate, timely and factual information to the Minister, the Board, stakeholders, media and the public as appropriate. Typical issues may relate to anticipated reactions to changes in legislation, regulation or policy and compliance measures taken or proposed by agency staff.

**Media Relations**
The AGCO's media relations strategy is designed to communicate with media organizations in a clear and timely fashion in order to inform and educate the public, licensees, registrants and other stakeholders about the AGCO's responsibilities and activities relating to regulation of Ontario's liquor and gambling industries. Key activities in this area include responding to interview requests related to liquor and gaming legislation, regulations and policy and communicating proactively with local media with regard to orders by the Registrar suspending or revoking liquor licenses and other regulatory activities. As the OLG's Modernization initiative moves forward and private-sector involvement in the operation of casinos increases, the AGCO will be required to provide public assurances that the Ontario gaming market is safe and effectively regulated. As a result, the AGCO will be reviewing its communication strategy on its regulatory efforts in this sector.

**Website**
The AGCO's website (www.agco.on.ca) is the primary vehicle by which the AGCO communicates with customers and the general public. It provides timely and easily accessible information about liquor and gaming laws, regulations and policies administered by the AGCO. Users of the site have access to all pertinent legislation and information on related changes, registration and licensing application forms, guides, educational publications, annual reports and newsletters. The internet site will ultimately serve as the platform for electronic service delivery within and across the agency, and this will strengthen both internal communications and operational efficiency. Several hundred updates to the website are made each year and this trend is expected to continue.

In 2013/14, there were 454,801 visits to the website.

**Newsletters, Bulletins and Notices**
The AGCO regularly publishes materials to provide licensing/registration, educational and compliance information to stakeholders and the public. Examples include:

Licence Line is a newsletter for liquor sales licensees published at least four times per year in English and French. Covering a variety of commentary on issues important to licensees, Licence Line focuses on providing information on recent changes to liquor legislation and regulations and is an important source of industry news and tips for stakeholders.

Lottery Line is a newsletter for lottery retailers and lottery retailer managers and is issued a minimum of three times per year in English, French and Korean. It provides information and tips to educate lottery retailers on the laws and regulations governing the sale of OLG lottery products and break open tickets.

The AGCO issues Information Bulletins and Important Notices targeting liquor and gaming stakeholders affected by decisions of the Registrar and/or Board and/or by changes to the regulatory frameworks governing these two industries. A variety of channels are used to distribute Bulletins and Notices, including posting on the AGCO website.

Toolkits for liquor sales licensees continued to be distributed. The kits include Know the Liquor Laws staff and owner guides, Responsible Service Tip Sheets, the Sandy's Law poster, disc-based copies of Ontario's liquor laws and regulations and other materials geared towards educating licensees and their staff. Toolkits complement the Know the Liquor Laws seminars and are also distributed by front-line AGCO inspectors during inspections at licensed establishments. In 2013/14, approximately 4,000 Toolkits were distributed.

The AGCO publishes Liquor Enforcement in Ontario: A Guide for Police Officers, which is distributed to front-line police officers across Ontario to assist them in understanding their role in liquor enforcement and how they can work cooperatively with the AGCO to reduce alcohol-related harm in their communities.

All AGCO educational materials can be obtained free of charge through the AGCO website, at trade shows and seminars, directly from AGCO Inspectors and upon request through the Customer Service Department.

**Front-Line public affairs program for Licensees and Registrants**

As part of its transition to a compliance-focused and risk-based regulatory model, the AGCO maintains a front-line public affairs program for liquor sales licensees to assist them in remaining compliant with their obligations under the law.

The "Know the Liquor Laws" free educational seminars continued for the fourth year in 2013/14. These 2.5-hour training seminars provide liquor sales licensees, management and staff with information to better understand their responsibilities regarding the sale and service of alcohol. These seminars also include information regarding changes to the regulations under the LLA and provide those in attendance with the opportunity to ask questions and seek clarification. In order to make the seminars as accessible as possible to a broad cross section of licensees, a number of smaller communities were chosen as locations for seminars this year. Results of the 2013/14 seminars are as follows:

- 46 seminars hosted;
- 39 communities visited;
- 1,707 people attended (63% owners and managers, 64% with more than 5 years in the industry);
- 626 establishments represented;
- Positive feedback from those attending – 96% found it useful, 91% learned something, 89% would recommend the seminar; and
- 12,230 pieces of educational material were distributed at the seminars.

In March 2014, the AGCO hosted a booth at the Canadian Restaurant and Foodservices Association Trade Show. AGCO representatives with extensive knowledge were on hand to answer questions, and educational materials were made available. Many licensees and their staff took advantage of stopping by the booth in order to get both general and specific questions answered.

**Internal Communications**

The AGCO has more than 560 employees with diverse expertise and backgrounds, working in more than 30 local offices and gaming sites across Ontario. For this reason, the agency continues to enhance internal communications through a variety of channels, including a constantly-improving intranet site, regular all-staff Town Hall meetings, web-based delivery tools, managers' forums, information sessions, lunch and learns, divisional and branch meetings, "newsflash" internal communiqués, and internal newsletters.

**Customer Service**

As part of its service delivery, the AGCO provides customers and members of the public with a personal "one-stop shopping" approach through its Customer Service department. During 2013/14, the department responded to 113,292 customer contacts, providing assistance and guidance on licensing and registration issues, including inquiries and complaints for all AGCO business areas. This is in addition to 15,492 walk-in customers at the head office Customer Service Desk and 26,450 customers who received information via AGCO's automated voice messaging system. The Customer Service department responded to 7,495 email inquiries. In total, more than 162,000 contacts were served.

**Environmental Initiatives**

The AGCO continues to create an environmentally friendly workplace, reduce costs and contribute to the well-being of the environment at large through the activities of its Eco Committee. The committee continued to focus on initiatives and programs that encourage employees to reuse, reduce and recycle, via the electronic-only distribution of a regular environmental newsletter, lunch and learn opportunities for staff and participation in community activities.

Corporately, the AGCO continues to streamline operational processes (such as reducing paper use) without compromising its service delivery. This includes default double-sided document printing, consolidating and reducing hard-copy distribution lists where possible, scanning and emailing documents, reducing hard-copy fax approvals and creating online manuals. Taken together, these activities continue to reduce paper usage by an estimated 100,000 sheets per year. Efficiencies are expected to continue as the organization proceeds further with electronic service delivery.

## HUMAN RESOURCES

The AGCO continues to implement programs to support its 'Rewarding Workplace' Strategic Goal while allocating resources to efficiently meet business requirements delivered through its divisional operations. The AGCO recognizes that capable and motivated employees are critical to achieving its business goals and to increasing its capacity to better deliver services, ensuring an environment where:

- Employees understand and believe their contributions are valued;
- Employees, supported by their managers, recognize and accept responsibility for their own career and personal development; and
- Creativity and openness to giving and receiving feedback are encouraged.

**Employee Development and Wellness**
The AGCO continues to invest in management by focusing on leadership development and coaching programs to ensure that skills are enhanced and that the AGCO is well positioned for future challenges.

The AGCO continues to explore programs which recognize the importance of employee wellness in achieving a positive work environment. The AGCO recognizes Healthy Workplace Month by conducting an annual Wellness Fair. The Staff Engagement, Wellness and Diversity Committee works on initiatives that support the health and well-being of employees. This year's initiatives included the Lions' Lair innovation award, the implementation of Year One of the Diversity plan and a review of the AGCO's employee recognition programs.

Secondment and development opportunities are also provided to staff and management as part of the AGCO's recruitment, retention, and staff development strategy.

**Talent Management Strategy**
A Talent Management review was conducted in early 2014 with recommendations being incorporated in a Human Resources Strategic Plan. All talent-related process gaps—starting from where the AGCO sources its candidates, through to employees' retirement—are being examined and improvement plans have been developed to address gaps where they exist.

An organization-wide succession plan has been developed with Board input, beginning at the executive level and cascading through all AGCO divisions and levels, including learning and development plans for potential successors.

All AGCO staff members undergo a Performance Development Review (PDR) on an annual basis to reflect on the achievements of the previous year, plan for the next year and to identify learning and development needs along with career goals.

**Human Resources Branch Restructuring**
The Human Resources branch has undergone a transformation in the past year, moving from a traditional structure based on functions, to a business partner model to better support the operations of the AGCO. Feedback has been positive and has demonstrated improved knowledge of the organization's key business functions, better customer service and improved response rates.

Metrics and performance measures have been developed to measure effectiveness in areas of recruitment efficiency, investment in training, and turnover rates. A quarterly report is provided to the Executive Committee to report on the measures. The next step will be to benchmark the measures with comparators outside of the AGCO to validate effectiveness and efficiency in these areas.

**Workforce and Labour Relations**
Subject to the approval of the Lieutenant Governor in Council (LGIC), the Board of the AGCO is responsible for establishing terms and conditions of employment for bargaining unit and management staff upon recommendation from the CEO. The AGCO's objective in the area of overall employee compensation is to establish pay and benefit policies that are competitive. The current Collective Bargaining Agreement expires on December 31, 2014. Negotiations for the next agreement will commence in the fall of 2014.

The AGCO continues to consult with OPSEU Local 565 five times per year, represented by the Joint Consultation Committee, on matters of mutual interest.

**Diversity and Inclusion**

Created in 2008, the Ontario Public Service's Diversity Office is responsible for leading the government's strategy to create a more diverse, accessible and inclusive Ontario Public Service (OPS). The aim of the government's strategy is to build diversity into all OPS policies, programs and services, to build a healthy workplace free from harassment and discrimination, to reflect the public we serve at all levels of the OPS workforce and to respond to the needs of a diverse Ontario population. The AGCO has developed a comprehensive Diversity and Inclusion Plan and continues to explore ways to build diversity and inclusion into its operations and activities in the coming years.

The AGCO focused on four key elements in developing its Diversity and Inclusion Plan: People, Processes, Services and Results, with each aspect playing an integral role in the overall program. "People" refers to the investment made in the continuous learning of staff and management to build their cultural competencies and responsiveness. "Processes" focuses on examining organizational processes, policies and practices for barriers that prevent full participation in all aspects of society, including physical barriers, communications barriers, attitudinal barriers, economic barriers and technological barriers. The "Services" component speaks to improving current service delivery to better ensure inclusiveness, fairness and responsiveness. Finally, "Results" is about what will actually be measured and reported in terms of progress year after year.

***Accessibility for Ontarians with Disabilities Act, 2005***

The *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) was created with the goal of developing standards that would improve accessibility for people with disabilities across the province. To date, accessibility standards have been developed in the areas of customer service, employment, information and communications, transportation, and the built environment.

The customer service standard came into effect January 1, 2008 and all public bodies were required to be in compliance by January 1, 2010.

The Integrated Accessibility Standards Regulation (IASR) is the second regulation to be made under the AODA. This regulation came into effect on July 1, 2011 and sets out the requirements for four new accessibility standards: transportation, employment, information and communications and the built environment. All public bodies were required to be in compliance with certain provisions by January 1, 2012 and additional requirements are being phased in gradually until 2021. Over the past year, to meet the most recent requirements under the IASR, the AGCO took several significant measures in the area of accessibility which included providing training to all staff on the IASR and on the Ontario Human Rights Code as it relates to people with disabilities, as well as implementing a number of accessible employment practices.

The AGCO has met all requirements under the AODA and the IASR to date and will continue to implement policies and plans to meet and address the upcoming accessibility standards and needs.

## Regulating the Alcohol and Gaming Sectors

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# Regulating the Alcohol and Gaming Sectors

## REGULATION OF THE ALCOHOL SECTOR

**Liquor Regulatory Framework Reform**

In recent years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry to promote responsible economic development, improve service delivery and enhance consumer choice. To support the government's modernization agenda, the AGCO reviews its policies and practices on an ongoing basis to identify and remove barriers for businesses, increase transparency in its operations and enhance appropriate public participation in AGCO policy development. As a result, the AGCO has implemented a number of key programs to modernize the liquor regulatory framework, including risk-based licensing, risk-based enforcement, monetary penalties and significant changes to the Special Occasion Permit program.

Through 2013/14, the AGCO continued to move forward on modernizing the liquor regulatory framework with a further review of its approach to the regulation of wine, beer, and spirits manufacturers, manufacturers' representatives, ferment-on-premise operators, and liquor delivery services (the Regulatory Modernization in Ontario's Beverage Alcohol Sector initiative). Areas of focus included licensing, manufacturer retail stores, advertising and promotional activities, and product sampling.

With the Regulatory Modernization in Ontario's Beverage Alcohol Sector initiative, the AGCO has used a stakeholder-driven process in which affected parties had the opportunity to not only be heard, but also to take an active role in the AGCO policy development process. Since August 2013, the AGCO has led an extensive engagement with industry stakeholders, as well as public health and social responsibility organizations and other government ministries and agencies. The consultation period included the receipt of 32 written submissions in response to the AGCO's consultation paper, as well as nine roundtable sessions and several one-on-one meetings, which were attended by a total of 95 participants from the public, private, and non-profit sectors.

In March 2014, the AGCO released a Findings Report to provide a comprehensive overview of the issues and proposals raised during both stages of the consultation period. As part of its stakeholder-driven approach, the AGCO has also committed to further engage its stakeholders through AGCO-led, issue-specific stakeholder working groups to finalize the policy and implementation details for issues selected for reform, and, when possible, to execute discrete changes to its policies and procedures.

**VQA Wine Sales at Farmers' Markets**

In December 2013, the Ontario Government announced the renewal of the province's Wine and Grape Strategy. Initially launched in 2009, this strategy forms part of the government's economic plan to invest in people, build modern infrastructure and support a dynamic and innovative business climate.

One of the key projects under the $75 million strategy was the announcement of a 2-year pilot program to begin on May 1, 2014 to allow VQA wines to be sold at farmers' markets. The AGCO has been working with industry stakeholders and other government partners to develop and prepare for the administration of the program to support the wine industry, while maintaining social responsibility standards. The AGCO has also participated on a government-industry working group led by the new Wine Secretariat created under the renewed Wine and Grape Strategy.

Over the coming years, the AGCO will administer and assist in evaluating and assessing the pilot program throughout its duration, as well as continue to work with the Wine Secretariat and related working groups to ensure appropriate engagement with various stakeholders with respect to the new program (see Ontario's Wine and Grape Strategy, page 21).

## REGULATION OF THE GAMING SECTOR

The AGCO strives to be modern in its regulatory approach, demonstrating leadership, innovation and effectiveness in the regulation of Ontario's gaming sector. In order to achieve this vision, the AGCO has its focus on modernizing both the regulatory framework and its operations to deliver a modernized approach to gaming regulation which allows the AGCO to focus its resources on key risks and maintaining game integrity, while providing a degree of business flexibility and efficiencies for the industry.

The AGCO has been working with the OLG and industry groups on a number of new initiatives in the gaming sector, including the new charitable gaming (cGaming) initiative as well as the development and implementation of a regulatory model for iGaming. In carrying out this work, the AGCO has been developing processes, policies and a regulatory assurance structure that incorporates the various regulatory improvements that have been made across the agency in recent years, including a Risk-Based Registration process and the development of Standards that are based on regulatory risk analysis.

In anticipation of future regulatory responsibility over new gaming activities approved by government, the AGCO has continued to refine the regulatory framework over the past year and has begun the process for developing the regulatory framework to conduct a pilot on the use of electronic ticketing machines for 50/50 draws.

In the future, as OLG continues to move through its modernization process, the AGCO will be consistently challenged to demonstrate its continued effectiveness as a modern regulator and maintain the high standard of integrity in the gaming sector that both the government and public have come to expect.

In 2013/14, the AGCO achieved many milestones in the regulation of gaming in Ontario, as noted below.

**Standards-Based Regulation**

As noted previously, statutory and regulatory amendments made to the GCA in June 2012 provided the Registrar with authority to put in place risk-based standards to address various key areas of regulatory concern such as surveillance, security, access to gaming sites, protection of players and responsible gambling.

Development of the Registrar's Standards for Gaming continued throughout 2013/14, which included consultation with key gaming industry stakeholders, including OLG, public interest groups, operators of casinos and charitable gaming sites and other governmental partners. This resulted in the finalization of the Registrar's Standards for Gaming in November 2013. The standards shift the focus from requiring operators to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes described in the standards. These November 2013 standards apply to OLG and all Operators of Casinos, iGaming, and cGaming sites in Ontario.

The AGCO continued to work with Operators in each of the applicable industry sectors to coordinate adoption of the standards and implementation of a risk-based regulatory assurance approach. All Operators in the cGaming sector adopted the standards in December 2013. Accordingly, the AGCO has also implemented appropriate risk-based regulatory assurance processes and activities in the cGaming segment to monitor their compliance to the standards. Work continues with Operators in the Casino and iGaming segments to help them adopt the standards in a reasonable and practical manner.

Development of standards specific to the Lottery sector continued in 2013/14. As before, this included consultation with key gaming industry stakeholders, including OLG, public interest groups and other government partners. Their feedback has helped to inform the content of the standards which will be finalized in 2014/2015.

**Standards-Based Regulation – Security and Surveillance Pilot**

In November 2012, two casinos implemented the standards-based approach under a pilot program in the area of security and surveillance. This pilot continued to be monitored, refined and evaluated in 2013/14.

Feedback to date from this pilot has confirmed that operators now have a greater degree of flexibility in managing their business operations while ensuring that identified regulatory risks are being mitigated appropriately. The benefits of this flexibility include potential cost savings for the operators. The AGCO has also benefited from this approach operationally – it is now able to target its compliance resources to higher risk areas.

**OLG Casinos and Slot Machine Facilities**

The AGCO registers employees and suppliers, approves electronic gaming equipment and rules of play, conducts compliance inspections, launches investigations and undertakes audits, both scheduled and ad hoc, at Ontario's casinos and slot machine facilities to help ensure regulatory compliance and to maintain strong public confidence in gaming in Ontario. Gaming activities at these facilities are conducted and managed by OLG.

The AGCO continued to focus on supporting the OLG modernization plan, including the increased role for private sector entities in the operation of land based casinos. The AGCO continued to perform complex eligibility assessments on private sector entities seeking to enter gaming in Ontario as the OLG progresses through the procurement and selection of private operators for each of seven designated gaming bundles.

Modernization of the regulatory framework for casino gaming continued. Based on the Registrar's Standards for Gaming, existing Casino Operators and the OLG have started preparations for the transition to the standards-based regulatory approach through the development of comprehensive control environments, an integral part of the standards-based framework. Internally the AGCO continues to prepare an extensive integrated regulatory assurance framework to ensure that any additional privately operated gaming facilities continue to operate with honesty and integrity and that crown assets are protected.

**Internet Gaming (iGaming)**

The Ontario Government's decision to launch iGaming in Ontario will add another line of business to the AGCO's regulatory mandate. The AGCO continues to develop and implement a robust regulatory framework that will ensure an international "gold standard" for responsible gambling, game integrity and system security. Extensive research of other jurisdictions has been completed to identify best practices for iGaming regulation, including sources of information about potential suppliers that can inform the eligibility assessment process.

The new regulatory structure incorporates the various regulatory improvements and elements that are being implemented elsewhere across the agency, including applying a risk-based approach to the eligibility assessment and registration process, testing of the iGaming solution and games, and employing a standards-based approach to the regulatory framework. Development of data analytics capabilities will allow the AGCO to leverage and analyze large and disparate data sources to uncover insights, trends, patterns and relationships, and predict future outcomes in order to effectively target regulatory oversight and resources in the data-rich environment of iGaming.

In order to streamline activities and ensure a robust and effective review of potential suppliers, the AGCO developed a new governance structure for a team-based approach to eligibility assessments which was employed in the assessment of OLG's iGaming primary service supplier. This team-based approach has proven successful for iGaming and has been extended to support OLG's overall modernization process.

Following a risk-based approach and strategy, testing of the OLG iGaming solution and games will continue, as will the registration process for secondary suppliers. The AGCO will continue to develop its regulatory assurance plan, and, in cooperation with OLG and its suppliers, develop control activities and ensure compliance with the iGaming standards.

**OLG Lotteries**
The AGCO has been working with OLG to prepare for anticipated changes to its lottery business, specifically with reference to the expanded role of the private sector and OLG's oversight role. The AGCO has further enhanced the lottery regulatory framework, in conjunction with OLG modernization, which will include the development of Lottery Standards consistent with AGCO's overall regulatory approach. Amendments to the regulatory framework will continue to be made as required to ensure that this business segment continues to be operated with honesty and integrity, and in a manner which ensures that Crown assets are protected.

**cGaming**
Following direction from the provincial government, OLG, in collaboration with the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario, embarked on a multi-year initiative to revitalize bingo in the province by expanding electronic products into existing and future facilities. OLG's involvement is required because the Criminal Code of Canada requires that only provincial governments conduct and manage lottery schemes on or through an electronic device.

Over the past year, the AGCO has continued to work with the OLG and industry partners to facilitate the introduction of electronic games conducted and managed by OLG in Charitable Gaming (cGaming) centres. The cGaming sector was the first to adopt the Registrar's Standards for Gaming, November 2013.

**Charitable Gaming**
In addition to cGaming, traditional paper-based bingo events conducted and managed by licensed charitable organizations continue to operate in Ontario. Charitable gaming revenues, including those which come from traditional bingos, are an essential source of funding for a large number of worthy organizations. The AGCO continues to support the charitable gaming industry by enhancing fundraising opportunities for charities and providing suppliers with opportunities for business growth through modernization initiatives such as the bingo revenue model and changes to the break open ticket regulatory framework as well as its work with the Charitable Gaming Strategic Working Group and Mega Raffle Working Group.

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# Operational Performance

## LICENSING AND REGISTRATION

### Liquor Licensing

The LLA and its Regulations provide the Registrar with the authority for regulating and licensing the following: liquor sales licences, ferment-on-premise facility licences, liquor delivery service licences, manufacturer's licences and manufacturer's representative licences.

The AGCO is also responsible for overseeing the administration of Special Occasion Permits (SOPs). The LCBO, which is responsible for the retail sale of beverage alcohol at Ontario government stores, also issues SOPs on behalf of the AGCO. SOPs are required for occasional Private Events such as weddings and receptions or Public Events, where beverage alcohol will be served and/or sold to the public.

**TABLE 6** - TOTAL NUMBER OF LIQUOR LICENCES AND PERMITS

| | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Liquor Sales Licensed Establishments | 17,016 | 17,118 |
| Ferment-on-Premise Facilities | 576 | 577 |
| Liquor Delivery Services | 292 | 295 |
| Manufacturers | 308 | 358 |
| Manufacturers' Representatives | 851 | 874 |
| Total liquor licences | 19,043 | 19,222 |
| Special Occasion Permits issued | 61,918 | 61,463 |

### Gaming Registrations

Gaming registrations must be obtained by any person or business wishing to:

- Provide goods or services to charitable or religious organizations to assist with the conduct and management of their licensed lottery event, or any business that manufactures bingo paper or break open tickets;
- Sell lottery products on behalf of OLG, or provide goods or services to OLG related to lottery products; or
- Provide goods or services to, or work for a casino, slot machine facility, or cGaming site.

In reviewing applications for registration, an investigation is carried out by the Registrar concerning the character, integrity, financial responsibility and competence of those persons or businesses and their suitability for registration.

Table 7 below indicates the number of registrations issued by the AGCO by category in 2012/13, and the number of registrations issued to March 31, 2014 under the new corresponding registration classes.

**TABLE 7** – NUMBER OF GAMING REGISTRATIONS ISSUED

| Registration Classes | Line of Business | 2012 / 13 | **2013 / 14** |
|---|---|---|---|
| Operators | Commercial Sector | 29 | 29 |
| | Charitable Sector | 76 | 75 |
| Sellers | Charitable Sector* | 355 | 281 |
| | OLG Lottery Sector | 9,877 | 9,872 |
| Gaming-Related Suppliers | Commercial Sector | 41 | 42 |
| | Charitable Sector | 87 | 84 |
| | OLG Lottery Sector | 37 | 37 |
| Non-Gaming-Related Suppliers | Commercial Sector | 367 | 316 |
| Trade Unions | Commercial Sector | 14 | 16 |
| Category 1 Gaming Assistants | Commercial Sector | 2,621 | 2,625 |
| | Charitable sector | 502 | 525 |
| | OLG Lottery Sector | 2,216 | 2,050 |
| Category 2 Gaming Assistants | Commercial Sector | 11,223 | 10,973 |
| | Charitable Sector | 2,424 | 2,661 |
| Total | | 29,869 | **29,586** |

* This figure represents the number of sites that only sell charitable break open tickets (no OLG lottery products). It does not denote the total number of sites that currently sell break open tickets. All lottery retailer registrants may sell break open tickets in addition to OLG lottery products.

**Charitable Gaming Licences**

The AGCO oversees the licensing of lottery events conducted and managed by charitable organizations, including bingo, raffles and the sale of break open tickets and issues registrations to individuals or businesses that wish to provide goods or services to the charitable gaming sector, and carries out inspection and compliance assurance activities to ensure that charitable gaming licensees and registrants are operating in accordance with the law and in the public interest.

The issuance of charitable lottery licences continues to be a two-tiered approach, with the AGCO and local municipalities both having a role in this program.

The AGCO is the licensing authority for:

- Charitable gaming events in pooling bingo halls;
- Bingo events with prize boards over $5,500;
- Super jackpot bingo events;
- Progressive bingo game events and loonie progressive games;
- Social gaming events (i.e., table game event held in conjunction with a social event);
- Raffle lotteries for total prizes over $50,000;
- Break open tickets sold by organizations with a provincial mandate;
- Lotteries held in conjunction with another gaming event, including break open tickets at bingo events;
- All lottery schemes conducted in unorganized territories; and
- Lottery schemes at designated fairs or exhibitions.

Municipalities issue lottery licences for the following:

- Bingo events with prize boards up to $5,500;
- Media bingo events with prizes up to $5,500;
- Break open tickets for local organizations;
- Raffle lotteries for total prizes of $50,000 and under; and
- Bazaar lotteries which include: wheels of fortune with a maximum bet of $2.00, raffles not exceeding $500, and bingo events up to $500.

A municipality may attach terms and conditions to a licence, in addition to those established by the province, provided that they do not conflict with provincial terms and conditions or policies.

Overall, the charitable gaming industry was generally stable from 2012/13 to 2013/14. The variance in figures indicated in the table below reflects a shift in charitable gaming initiatives and administrative relief measures put in place to streamline processes, create efficiencies and provide better customer service for licensees.

**TABLE 8** - LOTTERY LICENCES ISSUED

| | 2012 / 13 | 2013 / 14 |
|---|---|---|
| Bingo | 155 | 139 |
| Charitable Gaming (Bingo Hall) * | 6,425 | 5,326 |
| Break Open Ticket (BOT) ** | 86 | 67 |
| Raffle | 210 | 216 |
| Social Gaming Events | 24 | 33 |
| Other | 5 | 7 |
| Total licences | 6,905 | 5,788 |

* Due to modernization of charitable gaming, a further nine bingo halls (in addition to the eleven bingo halls that were under the cGaming model in 2012/13) converted to the cGaming model in 2013/14. As such, they are no longer licensed by the AGCO as the conduct and management of the halls falls under OLG. Figures for "Charitable Gaming (Bingo Hall)" will continue to decrease as more halls convert to the cGaming model.

** The Break Open Ticket Modernization Initiative implemented on July 1, 2010 included the extension of licence periods, which equates to fewer licences issued throughout the year.

### High Value Raffles ("Mega Raffles")

High value raffles are lotteries conducted and managed by charities where the total value of the prizes is one million dollars ($1,000,000) or more. The AGCO continues to work with the stakeholders in this segment of the industry in order to identify opportunities to further enhance charitable fundraising opportunities.

In 2009/10, a pilot project was put into place to allow licensees more options to communicate the details of the operation of their raffle, including allowing the use of internet technology to promote tickets sales, solicit ticket orders, and accept ticket order information. For example, online ordering is permitted, however this must be just one of a variety of channels to take orders, and online submission of payment information is permitted, however payment fulfillment of ticket orders is not permitted and licensees must process payment in the same manner for existing sales channels. The AGCO continued to monitor the pilot project in 2013/14. An evaluation of the pilot project will be completed in 2014/15.

In April 2013, a two-year pilot was launched to allow licensees to operate a 50/50 raffle in parallel with a mega raffle, where the prize value is one million dollars or greater. The pilot was introduced in response to consultations with the charitable gaming industry. The AGCO is continuing to monitor the pilot project to assess the benefits of this initiative to the industry, as well as ensuring appropriate safeguards are identified.

## OLG ELECTRONIC GAMING EQUIPMENT AND SYSTEM APPROVALS

### Assessment and Testing of Electronic Gaming Equipment and Systems

The AGCO ensures that all electronic gaming equipment in the province meets rigorous standards aimed at ensuring its technical integrity. To that end, all electronic equipment (slot machines, electronic table games, electronic bingo systems, Play-on-Demand games, card shufflers, break open ticket dispensers, etc.) and gaming management systems (slot machine monitoring, cashless ticketing, progressives, etc.) are tested for technical integrity, security, safety, and audit capacity according to the Ontario Minimum Technical Standards established by the Registrar. This testing is carried out at the AGCO's in-house Gaming Laboratory (the Gaming Lab) equipped with the exact equipment and systems that are currently used or intended to be used at gaming facilities. Tests carried out by the Gaming Lab include:

- Mathematical simulation and verification of game payback and award odds;
- Random Number Generator testing to ensure random game outcomes;
- Computer emulation of gaming equipment to ensure prize payouts; and
- System interoperability between ticketing, slot machine monitoring and progressive systems and the gaming equipment.

Based on the results of the testing, the Registrar determines if the equipment and/or systems are to be approved for installation in Ontario gaming facilities. Only equipment and systems approved by the Registrar can be installed and used at gaming sites. The AGCO Gaming Lab achieved an average turnaround time for approval of gaming equipment and systems of 43 days.

In 2013/14, staff of the AGCO's Gaming Laboratory completed testing of 776 electronic gaming equipment and system approval requests. Of these, 94 requests (12.1%) had critical issues uncovered during Gaming Lab testing and assessment as follows:

- 56 requests (7.2%) were rejected, denied, or withdrawn due to critical issues found during AGCO testing and assessment; and
- 38 requests (4.9%) had Terms and Conditions added to them to mitigate vulnerabilities when installed at gaming sites in Ontario.

The critical issues referred to above include issues such as inaccurate game rules, games paying back less over time than the minimum requirement of 85% to patrons, insufficient or incorrect information available on machines to resolve patron disputes, insufficient security of the equipment to prevent nefarious activity, among other issues.

The Audit and Compliance Branch of the AGCO has Electronic Gaming Inspectors on-site at casinos and slot machine facilities responsible for inspecting new electronic gaming equipment, conducting Targeted Risk-Based Inspections on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.

In 2013/14, Electronic Gaming Inspectors inspected 41,686 electronic gaming devices, including slot machines, with minimum disruption to patron play. Of these inspections, 3,159 deficiencies were found as follows:

- 1,520 critical deficiencies were found in games which were being inspected prior to approving their availability for patron play (i.e. incorrect software installed, unapproved paytables enabled, etc.). These games were not allowed for play until corrective action was taken by the site and the games passed inspection; and
- 1,639 other non-compliance deficiencies were discovered during inspections of devices that were quickly remedied by the site (i.e. button panel not working, loose locks, etc.) so that the game could be made available for patron play once the deficiency was corrected.

**TABLE 9** – NUMBER OF SLOT MACHINES AND TABLE GAMES IN GAMING FACILITIES

| CASINOS | # OF SLOT MACHINES | # OF TABLE GAMES | LOCATION | OPEN TO PUBLIC |
|---|---|---|---|---|
| OLG Casino Brantford | 546 | 57 | Brantford | November 19, 1999 |
| Great Blue Heron Charity Casino | 532 | 60 | Port Perry | May 5, 2000 |
| OLG Casino Point Edward | 452 | 27 | Point Edward | April 20, 2000 |
| OLG Casino Sault Ste. Marie | 419 | 13 | Sault Ste. Marie | May 23, 1999 |
| OLG Casino Thousand Island | 481 | 22 | Gananoque | June 22, 2002 |
| OLG Casino Thunder Bay | 450 | 11 | Thunder Bay | August 30, 2000 |
| Casino Niagara | 1,448 | 41 | Niagara Falls | December 9, 1996 |
| Niagara Fallsview Casino Resort | 3,141 | 137 | Niagara Falls | June 8, 2004 |
| Casino Rama | 2,473 | 116 | Orillia | July 31, 1996 |
| Caesars Windsor | 2,280 | 87 | Windsor | Interim: May 1994<br>Permanent: July 29, 1998 |

| SLOT FACILITIES | # OF SLOT MACHINES | LOCATION | OPEN TO PUBLIC |
|---|---|---|---|
| Ajax Downs | 822 | Ajax | March 2, 2006 |
| OLG Slots at Clinton Raceway | 123 | Clinton | August 26, 2000 |
| OLG Slots at Dresden Raceway | 132 | Dresden | April 20, 2001 |
| Flamboro Downs | 790 | Dundas | October 13, 2000 |
| Georgian Downs | 975 | Barrie | November 29, 2001 |
| Grand River Raceway | 242 | Elora | December 6, 2003 |
| OLG Slots at Hanover Raceway | 197 | Hanover | February 21, 2001 |
| Kawartha Downs Raceway | 448 | Peterborough | November 24, 1999 |
| Mohawk Raceway | 838 | Milton | August 12, 1999 |
| Rideau Carleton Raceway | 1,226 | Ottawa | February 18, 2000 |
| Sudbury Downs Raceway | 404 | Sudbury | November 28, 1999 |
| OLG Slots at Western Fair | 702 | London | September 30, 1999 |
| Woodbine Raceway | 3,004 | Toronto | March 29, 2000 |
| Woodstock Raceway | 236 | Woodstock | June 22, 2001 |

**Quality Assurance Program for AGCO's Gaming Laboratory**

The AGCO Gaming Laboratory's highly-qualified staff operate in accordance with a formal Quality Management System that is accredited to the rigorous standards of ISO/IEC 17025:2005, the recognized international accreditation standard for quality assurance of testing laboratories. This achievement sets the AGCO apart as the only known gaming regulator with an in-house accredited gaming lab. An independent, in-house gaming lab is integral to supporting regulatory policy development and providing public confidence that electronic gaming machines have technical integrity and are safe and secure.

ISO/IEC 17025:2005 addresses quality management topics such as: the management system, document control, service delivery, control of non-conforming testing including preventative and corrective actions, control of records, internal audits and management reviews. It also addresses technical requirement topics such as: the technical competence of personnel, testing equipment and lab environment, test procedures and procedure validation, participation in proficiency testing with other laboratories, and guidance on the contents of generated test reports.

Accreditation to ISO/IEC 17025:2005 requires biennial accreditation audits to be performed by an external assessor with technical expertise in the testing procedures and equipment that are in the scope of accreditation. This audit ensures that conformance to the standard is being maintained. In 2013, the biennial audit was successfully completed by the AGCO Gaming Laboratory. In addition to the biennial audit by an external auditor, a formal internal audit of the Gaming Lab's quality system is also conducted on an annual basis to verify operations comply with the requirements of this standard.

The Quality Management System helps to continually improve the quality of test results and the efficiency and effectiveness of the Gaming Lab. Accreditation against an international standard provides a third party demonstration that the Gaming Lab has the necessary capabilities to carry out the specific tests needed to ensure gaming equipment and gaming management systems satisfy the requirements to operate in Ontario.

**cGaming**

As of March 31, 2014, the following 20 sites had been converted to eBingo sites conducted and managed by OLG:

The number of inspections conducted in 2013/14 at cGaming sites was 134. In addition, all 20 sites have eBingo and eBOTS (TapTix machines).

**TABLE 10** – cGAMING SITES CONDUCTED AND MANAGED BY OLG

| SLOT FACILITIES | LOCATION | OPEN TO PUBLIC |
|---|---|---|
| Boardwalk Gaming Centre | Sudbury | Pilot Program Site |
| PenDelta | Peterborough | Pilot Program Site |
| Treasure Chest | Kingston | Pilot Program Site |
| Boardwalk Gaming Centre | Barrie | Pilot Program Site |
| Boardwalk Gaming Centre – Val Caron | Sudbury | 28-Aug-12 |
| Community Spirit | Kingston | 18-Sept-12 |
| Boardwalk Gaming Centre | Penetanguishene | 9-Oct-12 |
| Delta Bingo | Pickering | 20-Nov-12 |
| Paradise Gaming Centre | Windsor | Pilot Program Site |
| Breakaway Gaming Centre | Windsor | Pilot Program Site |
| Boardwalk Gaming Centre | Pembroke | 26-Feb-13 |
| Delta Bingo Niagara Falls | Niagara Falls | 22-May-13 |
| Delta Oakville | Oakville | 18-Jun-13 |
| Rutherford Bingo | Brampton | 16-Jul-13 |
| Rama Charitable Gaming Center | Mississauga | 13-Aug-13 |
| Cambridge Bingo | Cambridge | 10-Sept-13 |
| Bingo World GTA | Newmarket | 9-Oct-13 |
| Bingo Country | St. Thomas | 4-Dec-13 |
| Golden Nugget | Fort Erie | 29-Jan-14 |
| Long Sault Bingo | Hawkesbury | 19-Mar-14 |

## INVESTIGATION, ENFORCEMENT AND COMPLIANCE

### Overview

Since 2007, the AGCO has been shifting towards a regulatory strategy which is risk-based, outcomes-based and compliance-focused, rather than focusing only on enforcement after an infraction has been committed. The following programs form a multi-pronged approach to support this strategy:

- Risk-based enforcement, where the AGCO focuses more resources on those licensed establishments with a higher risk profile and/or previous compliance issues;
- Risk-based licensing and risk-based registration, where applications for liquor sales licences and gaming registrations are reviewed and assessed with a view to identifying and mitigating risks, including the use of conditions where appropriate;
- Monetary penalties, an administrative sanction where a licensee or registrant pays a certain amount as a consequence of a breach of the LLA or GCA, and where a more severe sanction is not warranted under the circumstances; and
- Public Affairs educational programs, to assist licensees and registrants to remain compliant with the law.

### LIQUOR

This risk-based, outcomes-based and compliance-focused approach continues to show positive results. In all regions of Ontario, the implementation of policies and rules that are easier to understand along with the introduction of risk-based, compliance-focused programs are helping liquor sales licensees achieve greater compliance with the laws governing the sale and service of alcohol.

LLA infractions continue to decrease as licensees become more educated, AGCO resources are being used more effectively, and risks to public safety are being reduced. For example, in 2008/09 there were 13,046 infractions noted across the province. For 2013/14, that number had dropped below 9,000 even though the number of inspections and AGCO Inspectors remained largely the same. As infractions have declined, and with the introduction of monetary penalties as an alternative to suspensions for less serious offences, there has also been a substantive decrease in the number of liquor sales licence suspensions served in Ontario. In 2007, the year the AGCO introduced the first of its risk-based programs (risk-based enforcement), 456 liquor sales licence suspensions were served across the province. By 2013, that number had declined to 137 suspensions.

### Compliance and Enforcement

To support corporate and government objectives, the AGCO continued in 2013/14 to refine compliance-based strategies that focus on prevention, communication and education to achieve a high rate of compliance. The AGCO also works closely with local law enforcement agencies to ensure the responsible sale and service of alcohol across the province.

The AGCO's Investigation and Inspection Branch of the OPP Investigation and Enforcement Bureau assigned to the AGCO continues to implement a risk-based approach to conducting LLA inspections at licensed premises, monitoring liquor licensed premises for compliance with the LLA and investigating complaints and/or breaches of the LLA, often in partnership with local police services.

During 2013/14, the Inspection and Investigation Branch carried out more than 25,000 inspections of liquor sales licensed establishments, including more than 2,100 joint forces projects which included participation from various police forces and municipal officials.

Where evidence exists to support allegations of breaches of the LLA and its Regulations by a licensee, the Registrar may impose an administrative sanction, which can include a warning letter, monetary penalty, suspension of the licence or revocation of the licence.

**TABLE 11** - NOTICES OF PROPOSAL AND ORDERS OF MONETARY PENALTY

| | 2012 / 13 | 2013 / 14 |
|---|---|---|
| Notices of Proposal<br>• Re applications (new, change, transfer)<br>• Re disciplinary (suspend and/or add conditions, revoke)<br>• Premises closed (revoke licence)<br>• Other | 438 | 556 |
| Orders of Monetary Penalty | 186 | 237 |

**TABLE 12** - ALCOHOL ADVERTISING COMPLAINTS REVIEWED

| | 2012 / 13 | 2013 / 14 |
|---|---|---|
| Alcohol advertising complaints reviewed | 1 | 1 |

**Enhancing Compliance – Partnerships with Municipalities and Law Enforcement Agencies**

The AGCO continues to foster better coordination and relations with other provincial and local agencies with respect to liquor enforcement by providing assistance and advice to our partners in an effort to increase compliance rates and enhance LLA enforcement activities. This cooperative approach extends across the province, and has proven beneficial to communities overall.

In many municipalities, the AGCO is part of a formal Integrated Municipal Enforcement Team involving local police, fire, health, by-law and licensing authorities; in other municipalities, the AGCO carries out joint forces operations with local authorities as requested. This approach has been most formalized with regards to liquor enforcement in Toronto's Entertainment District, where a committee comprising representatives of the AGCO, the City of Toronto and law enforcement agencies continues to meet to share information and review issues.

**Open Ontario Compliance Initiative**

The Open Ontario Compliance Initiative pilot project launched in April 2013 is designed to demonstrate how municipal and provincial organizations can achieve greater coordination and collaboration, how risk-based compliance activities can be used effectively, and how the inspection process might be made less onerous for businesses. An inspection process focused on high risk establishments and the use of education to promote better compliance helps to achieve these objectives.

This ground-breaking joint provincial/municipal project includes several bodies which have compliance responsibilities for restaurants, bars, OLG lottery/break open ticket retailers and convenience stores in the London area, including:

- Ministry of Community Safety and Correctional Services (Office of the Fire Marshall, Private Security & Investigative Services) which is leading the project;
- AGCO / OPP;
- Ministry of Health;
- Ministry of Finance (Tobacco);
- Ministry of Economic Development and Innovation;
- Ministry of Consumer Services;
- Ministry of Labour;
- Service Ontario / Ministry of Government Services;
- City of London (Building, Licensing, Police, Fire, Property Standards, Business Liaison); and
- Middlesex-London Health Unit.

The project participants all use a risk-based, compliance-focused strategy to guide inspections – a process which is already employed by the AGCO throughout its operations. Using this approach, the participants learn more about which businesses and circumstances pose higher non-compliance risks and use this information to inform inspection strategies and joint compliance activities.

Each of the participants share information by providing, among other things, a short list of easily-spotted violations to the other participants. Participating entities continue to fulfill their normal duties but also share/refer information to others as appropriate. For example, information on unsanitary conditions at a licensed establishment discovered by an AGCO Inspector would be forwarded to the Health Unit.

At the end of the six month pilot project, the results were analyzed to see where improvements can be made to the overall inspections regime in Ontario, and what types of administrative relief might be made available to businesses which remain compliant with the law.

**Last Drink Program**

The AGCO is committed to enhancing its already strong partnerships with local police services across the province, and to providing regulatory oversight that is collaborative in nature and serves the public interest. To that end, the AGCO expanded a six month pilot program entitled "Last Drink" to a permanent program, designed to improve public safety and help reduce impaired driving on Ontario roadways.

Under this program, Ontario police services inform the AGCO about any alcohol-related driving offences where the drivers named a licensed establishment as the last place where they consumed alcohol. This information allows the AGCO to identify educational opportunities to work with licensees to better meet their regulatory obligations. In some limited cases, the AGCO focused additional regulatory attention on licensed establishments named in multiple reports. The program results have been encouraging on multiple fronts. Overall, licensees expressed appreciation over having been made aware of the additional information brought to their attention by the program, while the participating police services also saw Last Drink as a good complement to other programs which target impaired driving.

The Last Drink Program expanded in Fall 2012 with four new partners: York Region, Cornwall, Sault Ste. Marie and Deep River. Four OPP detachments (Collingwood, Sault Ste. Marie, Wawa and Wellington County) also joined the program.

Pilot results of the Last Drink Program were announced to the Ontario Association of Chiefs of Police traffic committee and working group in May of 2013, with the aim of further expanding the program throughout the Province. An Operational Shift Briefing was designed for front-line policing members outlining the Last Drink Program as well as Mandatory Reporting guidelines. Finally, the AGCO is working with the Ministry of Transportation to explore if the Last Drink Program may be able to interface with its Suspension Information and Management Systems.

**Award for Outstanding Liquor Enforcement**
The AGCO, working with the Ontario Association of Chiefs of Police (OACP), sponsors an annual award to recognize police agencies that have increased their efforts with regard to enforcement of the Liquor Licence Act. Two Awards for Outstanding Liquor Enforcement can be presented annually, one to an agency with more than 500 officers; one to an agency with fewer than 500 officers.

On June 18, 2013, the Waterloo Police Service (over 500 officers) was recognized for the work of its North Division Community Oriented Response Team (CORE). This team was formed to respond to the growing popularity of the City of Waterloo's entertainment district, which has 32 licensed establishments within eight city blocks. With two major universities in the area and a student population of 45,000, the challenges related to liquor enforcement in this area are significant.

The St. Thomas Police Service (under 500 officers) was recognized for its work in partnering with AGCO inspectors and the Elgin St. Thomas Public Health Unit to increase the effectiveness of liquor enforcement in the community. Officers from the St. Thomas Service's Drug Enforcement Unit, Criminal Investigations, Uniform Patrol Division and the Intelligence Officer were able to engage in "blitzes" of licensed establishments identified as a result of complaints or confidential information received, with appropriate charges laid. The resulting greater awareness by liquor licence holders of the increased level of enforcement has greatly improved public safety in St. Thomas.

**Educating Front-Line Police Officers on Liquor Enforcement**
The AGCO continued to provide informational seminars to front-line police officers on liquor enforcement in Ontario and how they can work with the AGCO to reduce harm to the community from local establishments that violate the liquor laws.

The AGCO also distributes a pocket-sized brochure entitled "Liquor Enforcement in Ontario: A Guide for Police Officers" to assist front-line officers in their duties. The brochure provides details on the laws governing the responsible sale and service of alcohol for liquor sales licensees and Special Occasion Permits, as well as their powers as a police officer with regards to those laws.

**Community Alcohol Safety and Enforcement Program (C.A.S.E.)**
In 2013/2014, the AGCO continued to implement the Community Alcohol Safety and Enforcement Program (C.A.S.E.) in partnership with the Ontario Association of Chiefs of Police, in which police officers across the province team up with AGCO Inspectors and OPP members in two annual, high profile inspection campaigns of licensed establishments with particular emphasis on post-secondary students returning to school.

**Best Bar None Program Continues to Expand**
The licensee accreditation program Best Bar None Ontario complements the AGCO's continuing work with liquor sales licensees to help them remain compliant with Ontario's liquor laws and improve public safety. The Best Bar None Ontario pilot program is now in its second year. Best Bar None Ontario is a partnership program that began in Britain in 2003; and was first introduced to Canada in Calgary and Edmonton with interest expanding elsewhere in Canada and the United States. An industry-led accreditation and awards program, it is coordinated through the Ontario Hotel Restaurant and Motel Association on behalf of the AGCO, Ontario liquor sales licensees and the broader hospitality industry.

In 2013 the program expanded in Toronto, welcoming an additional 1,400 licensees, particularly in Toronto's entertainment district. It has also been successfully expanded into Ottawa's ByWard Market area, representing some additional 110 licensees. Under the pilot program, liquor sales licensees in these areas can apply for accreditation, demonstrating to their communities, patrons and fellow licensees that they have implemented industry best practices. This promotes strong relationships among neighbours, community police organizations, regulators and fellow industry related stakeholders.

The first awards ceremony for the Best Bar None Ontario pilot was held in Toronto in May 2013. Thirty-seven establishments in Toronto's Entertainment District received accreditation, seven of which received special awards in various categories, such as best bar/lounge and best club. The list of 2012/13 accredited establishments and award winners can be found on the Best Bar None Ontario website: http://www.bbnontario.ca/.

## GAMING

### Gaming Registrations

Where there is evidence that a commercial gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, a suspension of the registration or a revocation of the registration.

**TABLE 13** – ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO REGISTRANTS IN CASINOS AND SLOT MACHINE FACILITIES

| | 2012 / 13 | 2013 / 14 |
|---|---|---|
| Orders of Monetary Penalty | 1 | 0 |
| Notices of Proposed Order | 16 | 11 |

### AGCO Audits of Casinos and Slot Machine Facilities

The AGCO's Audit and Compliance Branch conducts compliance inspections and audits at casinos and slot machine facilities, both scheduled and ad hoc, to ensure compliance with the GCA, LLA, Rules of Play, approved policies, terms and conditions of registrations, and anti-money laundering and terrorist financing measures. The Branch also approves and monitors applicable internal control measures, and surveillance and security policies and procedures, to help protect honesty, integrity and the public confidence in casino operations in Ontario. The AGCO also investigates and responds to complaints that pertain to regulatory issues at individual gaming sites.

The AGCO has adopted and implemented a risk-based audit approach that will continue to enhance the effectiveness of audit engagement by allowing gaming facilities to be assessed individually for risk. A multi-phase, industry-wide risk assessment was undertaken and completed in order to identify the necessary risk indicators that have informed the individual site-specific risk profiles.

In 2013/14, the Audit and Compliance Branch carried out 2,540 gaming-related inspections and 46 liquor inspections. Any findings noted during gaming and liquor related inspections (including non-compliance issues that are either self-reported or discovered by AGCO Compliance Inspectors) are indicated on a Corrective Action Report (CAR). A number of CARs relate to internal control procedural errors and are resolved at the time of the incident. When areas of non-compliance are identified, the department works proactively with gaming sites to address the concerns. Occasionally, for very serious breaches, administrative action is pursued. In 2013/14, 648 gaming-related CARs and 20 liquor-related CARs were created.

### Ontario Gaming Facility Audits and Memorandum of Understanding (MOU) with FINTRAC

As part of the AGCO's overall approach to working collaboratively with other government agencies, the AGCO worked closely with the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) to help combat money laundering and terrorist financing at gaming facilities. An MOU was signed between both parties in 2004. The collaboration between the organizations continues to be refined and enhanced in an effort to develop stronger communication channels, sharing of information in appropriate circumstances and to assist both the AGCO and FINTRAC in meeting their regulatory mandates.

In carrying out an audit at a commercial gaming facility, the AGCO auditor focuses on the site's compliance with its Internal Control Manual to ensure that it fulfills the requirements under the *Gaming Control Act, 1992* (GCA), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2001*, and all of the related regulations. In 2013/14, eight audits were conducted at Ontario's gaming facilities. The AGCO works with the gaming facilities to develop plans to address any issues raised through the audit process. Follow up audits are conducted to ensure plans are implemented and effective.

**Casino Enforcement Unit**
The AGCO's Casino Enforcement Unit (CEU) is composed of members of the OPP assigned to provide 24/7 police presence at all casinos and also to police slot machine facilities.

The CEU has a mandate to protect Crown assets and investigate Cheat at Play offences, ensuring that the honesty and integrity of the games is maintained and that public safety at facilities is maintained. CEU officers are also responsible for conducting regulatory investigations for the Registrar. These involve investigations of casino employees that are required to be registered under the GCA based on the job function they perform.

Officers assigned to the CEU are the first responders to any incidents that occur at a casino or slot machine facility. For occurrences that are not gaming-related, the CEU then works with the respective police service of that jurisdiction.

**Occurrences at Casinos and Slot Machine Facilities**
During 2013/14, there were approximately 6,444 total occurrences at casinos and slot machine facilities responded to by the CEU. Of these, 1,716 were Criminal Code offences, including 247 alleged incidents of Cheat at Play (60 Cheat at Play charges laid). Other Criminal Code related occurrences include Fraud, Theft and Assault investigations. There were a total of 1,532 other calls for police assistance, including calls for medical emergencies, police information and abandoned children.

There were an additional 4,728 non Criminal Code related occurrences. These occurrence types could involve any Provincial statute investigation or violation, including the LLA, *Trespass to Property Act*, and *Mental Health Act*. Other examples could include a suspicious person investigation that may not necessarily fall into any specific offence category, missing persons investigations, as well as assistance to other police agencies. This could include assistance with intelligence gathering, or general inquiries/assistance for an outside investigation.

The 4,728 occurrences noted previously are in addition to assisting local police with non-gaming related investigations. Only those events that result in a report being filed are considered to be reportable occurences by the AGCO's Investigation and Enforcement Bureau.

## OLG LOTTERIES

**Compliance Inspections**
During 2013/14, more than 12,000 Lottery Compliance Inspections were conducted at registered lottery retailer locations by AGCO Inspectors.

Where there is evidence that a registered retailer of OLG lottery products has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, a suspension of the registration or a revocation of the registration.

**TABLE 14** – ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO SELLERS OF OLG LOTTERY PRODUCTS

| | 2012 / 13 | 2013 / 14 |
|---|---|---|
| Orders of Monetary Penalty | 0 | 12 |
| Notices of Proposed Order | 25 | 32 |

**Audits of OLG Lotteries**
The AGCO approves and monitors applicable internal control measures, and security policies and procedures, to help protect honesty, integrity and the public confidence in lottery operations in Ontario.

In carrying out an OLG lottery audit, the AGCO auditor focuses on compliance with its Internal Control Manual to ensure that it fulfills the requirements under the GCA and all of the related regulations. In 2013/14, one OLG lottery audit was conducted. The AGCO works with the OLG lottery business units on developing plans to address any issues raised through the audit process. Follow up audits are conducted to ensure plans are implemented and are effective.

As of January 1, 2008, the OPP Investigation and Enforcement Bureau assigned to the AGCO began investigating lottery insider wins (retailers or related persons) and suspicious wins. OLG screens all prize claims above $10,000 and forwards insider claims to either the OPP or the third party investigation firm for investigation. Within the category of "related parties" (or "insiders") the OPP investigates wins by: (1) registrants (retailers, manufacturers, etc.), (2) key OLG personnel with significant decision-making authority, and (3) retailers' employees involved in the sale and redemption of tickets. The remaining persons defined as "insiders" (e.g., remaining OLG employees) are investigated by a third party investigation firm as per procedures approved by the AGCO.

During 2013/14, the OPP carried out a total of 221 lottery-related investigations, comprising 28 insider wins over $10,000, 64 suspicious wins, and 129 various complaints about possible thefts, frauds, etc.

## CHARITABLE GAMING

AGCO Inspectors are trained to conduct inspections at Break Open Ticket seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA. In 2013/14, over 2,200 Charitable Gaming inspections were conducted by AGCO Inspectors.

Where there is evidence that a charitable gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, a suspension of the registration or a revocation of the registration.

**TABLE 15** – ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO CHARITABLE GAMING REGISTRANTS

| | 2012 / 13 | **2013 / 14** |
|---|---|---|
| Orders of Monetary Penalty | 0 | 0 |
| Notices of Proposed Order | 4 | 10 |

# Appendix I

## LEGAL FRAMEWORK – ALCOHOL

***Liquor Licence Act***
The *Liquor Licence Act* (LLA) establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario, except for retail sale to the public by the Liquor Control Board of Ontario (LCBO).

Various classes of licences and permits are established including:

- Licence to sell beverage alcohol;
- Licence for ferment-on-premise facilities;
- Licence for liquor delivery service;
- Manufacturer's licence;
- Licence to represent a manufacturer of beverage alcohol; and
- Special occasion permits for the sale and service of beverage alcohol on special occasions (for example, cash bars at fundraising events, weddings and receptions).

The LLA and regulations also establish the rules for sale and service of beverage alcohol, including:

- No sale or service to persons under the age of nineteen;
- No sale or service to persons who appear to be intoxicated;
- No sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- No sale of illegal beverage alcohol; and
- Where beverage alcohol may be consumed (residence, licensed premises, private place).

The LLA and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

**Sale of VQA Wine at Farmers' Markets**
On December 16, 2013, the Premier of Ontario, the Honourable Kathleen Wynne, announced that VQA wine would be sold at farmers' markets in Ontario. Subsequently, the new regulation under the *Liquor Licence Act* was made on March 26, 2014 that amended Ontario Regulation 720 in respect of manufacturers' licences. The amendments permit manufacturers operating an on-site winery retail store under authorization from the Registrar of Alcohol and Gaming to sell their wine at qualifying farmers' markets subject to conditions in the regulations. Other conditions in respect of sales at farmers' markets are imposed by the Registrar on the retail store authorizations. The amendment to the regulation comes into effect May 1, 2014.

***Liquor Control Act* [Section 3(1)b, e, f, g and 3(2)a]**
Effective July 3, 2001, the AGCO assumed responsibility from the LCBO for the following:

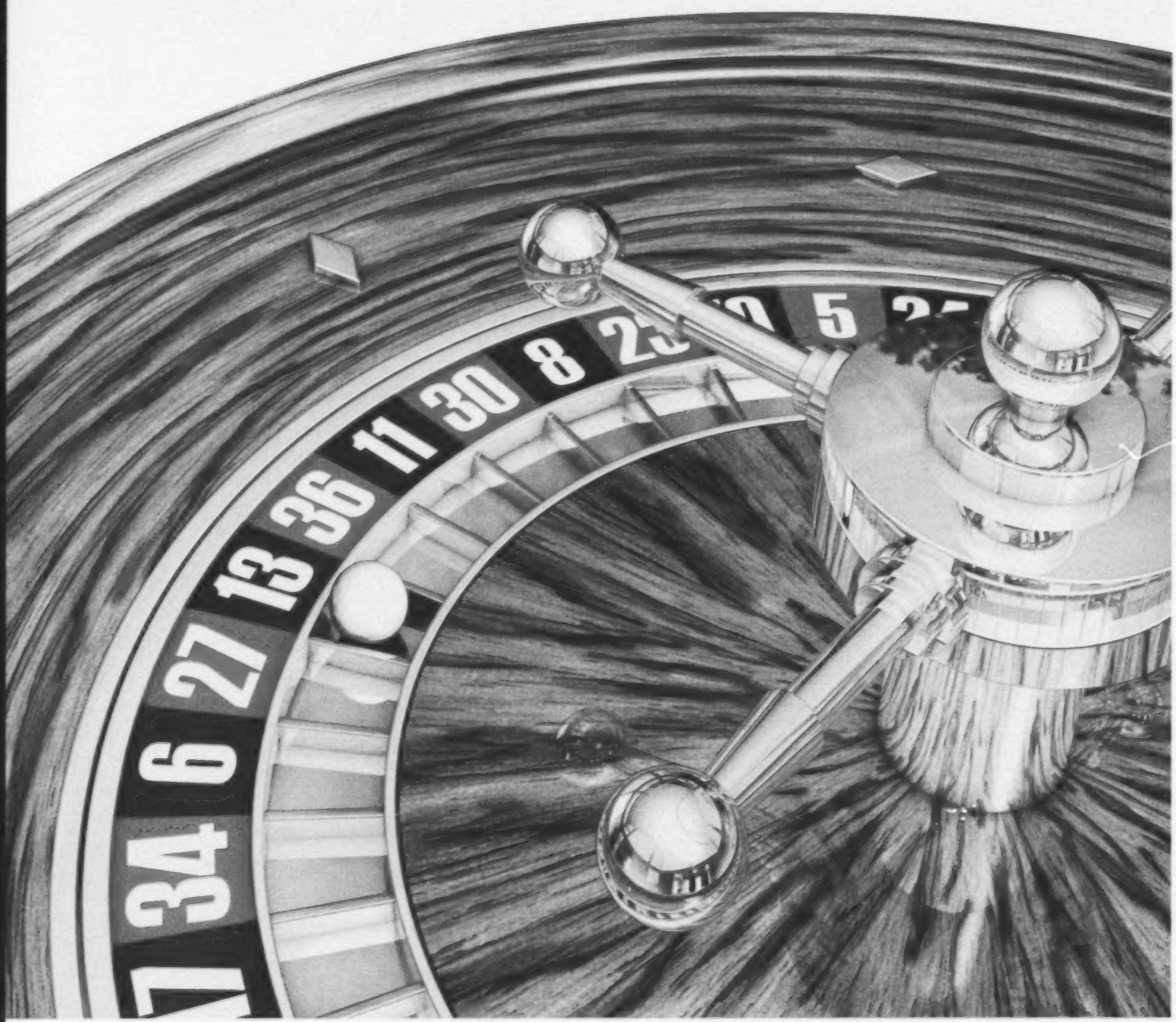
- To control the delivery of liquor to the public;
- To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public;
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries;
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in point 2 above shall be established or authorized and the location of such stores in municipalities;
- To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in point 2 above; and
- To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

***Wine Content and Labelling Act, 2000***

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 25% Ontario grapes or grape product and the winery must use an average of 40% Ontario grapes or grape product in manufacturing all such wine.

**Changes to the Schedule for Monetary Penalties for Infractions under the *Liquor Licence Act* and Regulations**

Changes to the Schedule of monetary penalties, made pursuant to section 14.1 of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, were established by the Board and approved by the Attorney General of Ontario to take effect on February 3, 2014. The changes increase the existing maximum penalties and expand the number of infractions that are eligible for monetary penalties. For example, monetary penalties are now available for selling or supplying liquor or permitting liquor to be sold or supplied to any person who is or appears to be intoxicated (penalty of up to $15,000) and knowingly permitting a person under 19 years of age to have or consume liquor in the licensed premises (penalty of up to $20,000).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# Appendix II

## LEGAL FRAMEWORK – GAMING

**Criminal Code of Canada**
The Criminal Code of Canada (the Code) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits "lottery schemes" provided that they are:

- "Conducted and managed" by the province in accordance with any law enacted by that province;
- "Conducted and managed" by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- "Conducted and managed" by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

"Lottery schemes" are defined under the Code but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device, slot machine or dice game unless the lottery scheme is conducted and managed by the province (Sec. 207(4)).

***Gaming Control Act, 1992***
The *Gaming Control Act, 1992* (GCA) provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, slot machine facilities, charitable gaming events, and registration of OLG lottery retailers, lottery retailer managers, and lottery suppliers.

Ontario Regulation 78/12 applies to all the gaming sectors under the AGCO's responsibility (i.e. charitable gaming, casinos, slot machine facilities and lotteries conducted and managed by the Ontario Lottery and Gaming Corporation (OLG), as well as the new internet and electronic charitable gaming products that are being developed by OLG).

**Registrar's Standards for Gaming**
In April 2013, the Registrar of Alcohol and Gaming established new standards and requirements for application to casino gaming, charitable gaming sites conducted and managed by the Ontario Lottery and Gaming Corporation and internet gaming. The Registrar's Standards for Gaming were revised slightly in November 2013.

The Registrar's Standards are a foundational piece in the AGCO's modernization of gaming regulation and its transition away from a "command and control" regulatory approach to a standards-based regulatory model. The objective of a standards-based model is to shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve.

The introduction of the Registrar's Standards flows from statutory and regulatory amendments to the *Gaming Control Act, 1992* in June 2012. These amendments were introduced to modernize gaming and allow a more risk-based approach to regulation of Ontario's gaming sector. Specifically, the changes provided the Registrar with the authority to put in place risk-based standards to address various key areas of regulatory concern, such as surveillance, security, access to gaming sites, protection of players and responsible gambling.

Moving forward, the Registrar's Standards will replace the prescriptive, rules-based approach taken in the previous regulations. The new standards were drafted at a high level of generality so as to capture the purpose behind the rules. This offers greater flexibility to regulated entities to design their own control environments and determine the most efficient and effective way of fulfilling their regulatory obligations, while at the same time ensuring that the integrity of gaming is preserved. Ultimately, the goal is to strengthen regulatory outcomes in a way that does not unnecessarily burden regulated entities.

Other benefits of a standards-based approach to gaming regulation include:

- Increased efficiencies for gaming operators to respond to changing market conditions;
- Strong proactive compliance culture and monitoring of performance by gaming operators against their own controls; and
- A more effective regulatory structure that is geared to the achievement of results or outcomes and regulatory oversight focusing on high impact areas of concern.

The Registrar's Standards were developed based upon a comprehensive risk assessment conducted in consultation with key gaming industry stakeholders, including the Ontario Lottery and Gaming Corporation, public interest groups, operators of casinos and charitable gaming sites and other governmental partners. Risk assessments will be conducted periodically to ensure that the standards continue to be relevant, and that the highest standards of integrity for gaming in Ontario are maintained.

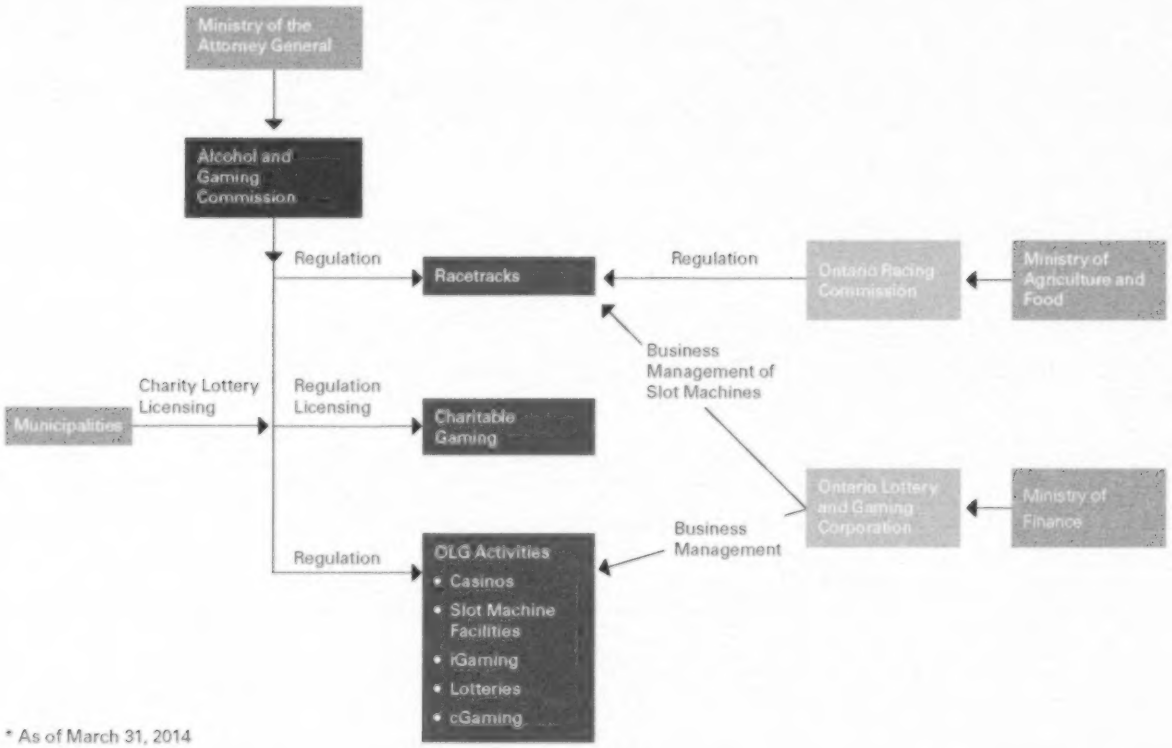
Implementation of the Registrar's Standards will be phased in across all applicable gaming sectors over a period of time. A comprehensive implementation plan will be developed in collaboration with OLG and operators in order to facilitate a smooth transition to the standards-based model and to preserve the integrity of and public confidence in gaming in Ontario.

The AGCO will support regulated entities in achieving regulatory outcomes by broadening its approach to one of support for registrant compliance with regulatory obligations. The AGCO will provide that support through the effective use of a broader range of regulatory tools that will allow it to do more than enforce regulatory obligations. The AGCO's regulatory assurance activities will be both proactive and reactive in nature and will include education, assessments, inspections, investigations, audits, equipment testing, as well as reliance on internal or external audits or attestations, among other things.

In the event that a registrant fails to comply with its regulatory obligations, the AGCO will continue to have a number of compliance and enforcement tools at its disposal, including warning letters, the imposition of enhanced regulatory assurance activities, additional requirements or terms of registration, monetary penalties and, in cases of material or ongoing instances of non-compliance, suspensions or revocations of registration.

Ultimately, the regulatory framework is designed to provide regulated entities with maximum flexibility, while still continuing to ensure the highest levels of integrity within the gaming industry.

**FIGURE 4** – ONTARIO GAMING RELATIONSHIPS




* As of March 31, 2014

**Order-in-Council 1413/08**

Order-in-Council 1413/08 (OIC) clarifies the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar. A number of First Nations have been designated by OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an organization must have a "charitable object or purpose." Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

**First Nations Lottery Licensing**

In 1998, the government approved a First Nations lottery licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.